SEPTEMBER 1976

MONTHLY REVIEW

AN INDEPENDENT SOCIALIST MAGAZINE

VOLUME 28

4

Third World Debt Problems

CHERYL PAYER

Guyana

- CLIVE Y. THOMAS
- JAY MANDLE

Eritrea: Background to Revolution

YORDANOS GEBRE-MEDHIN

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CONTENTS | VOLUME 28 NUMBER 4 SEPTEMBER 1976

REVIEW OF THE MONTH: Third World Debt Problems—
The New Wave of Defaults by Cheryl Payer 1
The Editors Comment 19

BREAD AND JUSTICE: The Struggle for Socialism in Guyana
by Clive Y. Thomas 23

CONTINUITY AND CHANGE IN GUYANESE UNDERDEVELOPMENT
by Jay R. Mandle 37

ERITREA: Background to Revolution by Jordanos Gebre-Medhin 52

MONTHLY REVIEW: Published monthly except July and August, when bimonthly, and copyright © 1976, by Monthly Review, Inc. Second class postage paid at New York, N.Y.

EDITORIAL AND BUSINESS: 62 West 14th Street, New York, N.Y. 10011.
Telephone: (212) 691-2555.
Europe: R. Handyside, 21 Theobalds Road, London WCIX 8SL.
Telephone: 01-242-3501. Giro Account No. 557 6350.
MR Edizione Italiana: viale Orazio Flacco 15, Bari 70124.
Telephone: 241919, 246157.
MR Greek Edition, Panepistimiou 57, No. 215, Athens 131.
MR German Edition, Mega Press, Postfach 402
D-6078 Neu Isenburg / bei Frankfurt,
Federal Republic of Germany.
Unsolicited manuscripts will not be returned unless accompanied by a stamped self-addressed envelope.

NEWSSTAND DISTRIBUTOR: B. De Boer, 188 High Street, Nutley, N.J.

SUBSCRIPTION PRICE: One year—$11, U.S.; students $9. $13 foreign; students $10. Institutions and libraries—U.S. $16; foreign $18.
By 1st class mail—U.S. $16; elsewhere $19.
By air mail—No. America $18; So. America and Europe $23.
By air mail—Asia (incl. USSR), Africa, Australia $25.

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HARRY BRAVERMAN

(December 9, 1920 – August 2, 1976)

It is with great sadness that we inform MR subscribers and readers that Harry Braverman, Director of Monthly Review Press, died after a long illness, on August 2nd. The following is a reconstruction from notes of what Harry Magdoff said at a funeral service in New York City on August 5th:

"I came to know Harry as a colleague and friend only in the last ten years of his life. It soon became apparent, after some acquaintance with him, that the absence of this friendship in previous decades was much to be regretted. But while I can properly speak about only a short part of his life, there is nevertheless much to say. For it was during these years that one could witness two of Harry's major accomplishments, each

(*Continued on inside back cover*)

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THIRD WORLD DEBT PROBLEMS: THE NEW WAVE OF DEFAULTS

By Cheryl Payer

> PEONAGE. Although this term is frequently applied to various forms of forced labor, it should be used only to designate virtual involuntary servitude growing out of payment in work for debts incurred. The element of indebtedness is the chief attribute of peonage, while it is not necessarily a feature of slavery, serfdom, or contract labor. The period of servitude moreover is undetermined; it exists as long as the debt remains, whereas in the case of indentured or contract labor there is, at least in theory, a definite time limit.
>
> —*Encyclopedia of the Social Sciences.*

> The Peruvian government, in power since 1968 as a revolutionary experiment, appears to be coming apart. The government is under pressure from a consortium of United States private banks that are making strict economic and political demands in exchange for loans to cope with huge foreign debts. As the fortunes of the leftist military regime have declined, its dependence on Western financial institutions has become increasingly clear. —*New York Times,* August 4, 1976.

Once upon a time nations were expected to "balance" their international accounts by paying for imports of goods

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Cheryl Payer is the author of *The Debt Trap: The International Monetary Fund and the Third World* (Monthly Review Press, 1974) and editor of, and contributor to, *Commodity Trade of the Third World* (Halsted Press, 1976).

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and services with exports of goods and services. When imports and exports did not balance, gold had to be shipped abroad to make up the difference—as long as the central bank or the treasury held any gold. But then international credit was developed, and the payments did not have to balance every year, although they still were supposed, in theory, to balance over the long run, with a surplus of exports in later years paying off the surplus of imports financed by credit in earlier years. When imports and exports did not balance in the long run, the creditors just had to accept default if they could not persuade their government to send some gunboats to teach the borrower financial responsibility.

In the modern world, however, the "balance" of payments has become a fiction, albeit one with pernicious real effects hanging over from the days when it was a fact. We live in a world where national imbalances have become persistent, structural, and apparently ineradicable, chiefly because powerful interest groups want things to stay the way they are and resist the adjustments which economic theory—even of the capitalist variety—would dictate. Oil-exporting nations (with a few significant exceptions: Algeria, Indonesia, Iran, Venezuela) harvest massive surpluses which they cannot spend, and no reversal is in sight. Before the oil-price crisis shook things up, Japan and Germany could not get rid of their persistent payments surpluses, because their industrialists refused to allow import competition. On the whole, however, the rich countries have proved to be the more flexible in adjusting their imbalances in recent years; the OECD countries, for example, as a bloc managed to turn around a large deficit in 1974 into a small surplus in 1975.

Most of the underdeveloped countries (joined by a few interesting European cases: United Kingdom and Italy) have structural payments deficits which have been large and regular since the 1950s, and are still rapidly growing, with no end in sight. The reasons for this structural deficit are not hard to find. The exporters of the rich countries saw a lucrative market for their products in the poor countries, and easily persuaded their governments to finance sales to the poor countries, calling the financing "foreign aid." The governments of the borrowing

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countries discovered that raising foreign loans was an easy and attractive alternative to taxing their own populations; and they soon became addicted to "counterpart" aid revenues, just as their elites grew accustomed to imports financed by aid. The World Bank and the International Monetary Fund (IMF), in their zeal to promote international trade and payments according to the letter of their charter, helped propound an ideology of development that emphasized the need for imports from the developed world, and thus of the need to borrow money to finance such imports.

Thus in the naive belief that the more they borrowed, the more they were "developing," Third World countries grew accustomed to annual large and growing deficits, with consequent borrowed money (whether of the "hard" private-lending variety or "soft" official government aid). But international borrowing and lending still operate on the assumption that "balance"—at least in the long-run—must be a fact; loans are made with the proviso that they be repaid, with interest, out of future export earnings, even though the deficits would have to become surpluses in order to permit such repayments: the fiction of balance still stands opposed to the fact of perpetual imbalance. One result is that where once only the trade deficit needed financing, now borrowing must cover not only the growing trade deficit but the service of previous debts as well. It is a pyramid system which cannot continue indefinitely; like a chain letter, it may work as advertised for some individuals in the short run, but it cannot work, even (or especially) in theory, for all the members of the system over the long run.

The international capitalist system has already met and coped with one wave of Third World bankruptcies between the years 1958 and 1973. It accomplished this mainly by massively increasing "official" aid, paid for by developed-country taxpayers, including the rescheduling of debts which were too massive to be paid off as they fell due. In this process the developed-country taxpayers bailed out the imprudent private lenders who had extended credit to enable the borrowing country to buy and import their products in excess of the borrowing country's capacity to pay. But this wave of rescheduling only postponed the day of reckoning; it did not change the funda-

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mental nature of the system. Some time was bought, but the time was not used wisely; the deficits continued and the debts accumulated. In a book published in 1973, its author, a man with long experience in the U.S. Treasury, made some pessimistic predictions:

> Merely to roll over the debt by 1980 will take debt service from $5 billion to $15 billion, depending on terms. Whether or not the donor-creditor countries will supply funds at the rate necessary to cover debt service plus amounts needed for development or balance-of-payments deficits is, of course, unknown. The resource flow would have to increase at some compound rate since constant flows result sooner or later in the situation when debt service absorbs the flow. . . . In any event most of the LDC's are not likely to be able to reduce their debt by increasing their exports enough.[1]*

In the three years since that book was published, there have been radical changes in the conditions affecting Third World economies. These changes are of extraordinary interest and significance, and if we have spent a long prologue on the situation as it has developed since the 1950s, the purpose is to emphasize that the events from 1973 onward must be seen against the background of this more fundamental long-term trend, i.e., the persistence of structural payments imbalances and the impossibility within this framework of Third World countries' climbing out of debt.

The imminence of debt crises for many countries was postponed by two developments of 1973 and 1974: (1) the sharp rise in the prices of primary commodities; and (2) the rapid expansion of a new source of private financing, bank loans, which were made available in increasing amounts. Net lending to developing countries reported by U.S.-based banks, which was only $882 million in 1971, rose to $2,131 in 1973, $6,648 in 1974, and $6,878 in 1975.[2] An even more important source of funds than banks located in the United States was the so-called "Eurocurrency market." Publicized Eurocurrency credits to "developing [sic] countries" rose from $1,475 million in 1971, to $4,080 in 1972, $9,116 in 1973, $9,605 in 1974, and $11,530 in 1975. And it must be emphasized that these are

* Numbered notes will be found at the end of the article.

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publicized credits. No one knows for certain how much has been lent out, there being no central authority with which loans must be registered. Banks often publicize their credits, particularly those advanced by a syndicate of many banks, in the advertisements in financial publications known in the trade as "tombstones." But there is no obligation to do so, and it has been estimated that only about 50 percent of all Eurocurrency credits are publicized.[3]

The total debt owed by Third World countries to national governments, international agencies, commercial banks, and other private lenders is likewise a matter of guesswork, but all the guesses are very large. *Business Week* puts the total at $130 billion, "almost double the total of long-term debt at the start of 1974."[4] Other sources give estimates of $150 billion or $200 billion. Somewhat more precise are the figures for the annual payments deficits of non-oil-producing developing countries: these mounted from $9 billion in 1973 to $28 billion in 1974 and $38 billion in 1975. For this year the deficit is expected to fall to "only" $31 billion, but even so no one seems to know exactly where the money is going to come from. The executive director of Chase Manhattan's London bank appraised the total debt of Third World countries at $145 billion in December 1975, and estimates that $150 billion more will be needed to cover deficits from 1976 through 1980.[5]

The consequence of this heavy borrowing over the last few years is a growing fear of default or a unilateral "moratorium." A few countries—Argentina, Zaire, and North Korea—fell into *de facto* default last year by failing to make scheduled payments. While most bankers, keenly aware that shaking confidence in the loan system could precipitate the crisis they fear, claim that there is nothing to worry about, a few have been blunt about the dangers of the situation. Irving S. Friedman of the First National City Bank was quoted in the *New York Times* as saying, "1975 is the year of coming off Cloud 9."[6] Walter Hoadley of Bank of America says: "The next 'New York-type' financial crisis will occur in 1976 among Third or Fourth World nations with large accumulated maturing debts that they cannot pay without massive assistance."[7] The Chase Manhattan London executive previously quoted writes that "a

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purely technical analysis of the current financial position [of the non-oil developing countries] would suggest that defaults are inevitable."[8]

Despite the rapid growth of private bank lending in recent years, the banks still hold only about 20 percent of the total outstanding debt of Third World countries. Roughly 65 percent is held by national governments and international agencies. National governments are assumed to be in the business of absorbing losses anyway, and if the World Bank (which enjoys a position as prime creditor of most Third World countries) is worried about getting its money back, it is not saying so. Private banks, on the other hand, are supposed to run their businesses at a profit, and most of their recent loans have been unsecured. As *Business Week* puts its: "A string of defaults or of debt moratoriums, or even any widespread rescheduling of loans, could put a serious strain on the giant banks that stand at the center of the world financial system."[9] The risk is increased by the concentration of lending; about two thirds of the loans we are discussing were held by only six major banks, First National City Bank being the most extended, with a reported 15 percent of total assets in loans to Third World countries.[10]

The countries that have been big borrowers from private banks are not the poorest nations, like India, Bangladesh, Pakistan, or Tanzania. These countries, having no significant natural resources to pledge as payment and an indifferent record in export promotion, have always been considered poor risks. It has been assumed that the rich countries' governments should take care of these trade deficits through subsidized official aid programs, whether bilateral or through multilateral agencies such as the International Development Agency of the World Bank group.

The banks' customers are rather the countries like Indonesia, Iran, Algeria, Zaire, Zambia, and the Philippines, which have raw materials to export, and others such as South Korea, Taiwan, and Brazil, which have had well-publicized "export miracles" in the last decade. Bank lending in fact is as heavily concentrated on the side of the borrowers as of the lenders, with a small number of countries getting nearly 80 percent of

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total Third World loans, and only three of these—Brazil, Mexico, and Spain—receiving 40 percent of the long-term credits since 1971.[11] The banks are particularly exposed in Mexico and Brazil. Claims on *each* of these two countries amount to 1.5 percent of *total* assets of the six largest U.S. banks, so it is clear that a default by either one could give a nasty shock to the entire financial structure. Bankers seem not to be worried by Mexico's exposed position: it is considered a special case because of its long experience in international borrowing and still commands preferential interest rates.[12]

It is Brazil which brings out the real nervousness of the financial community, with a current account deficit of $7 billion and a total foreign debt of $22 billion, half of which is private unguaranteed credit. Ironically, it is the banks' past eagerness to lend to Brazil that has led to the over-exposed position which is now making them unwilling to continue lending. And this could, in present circumstances, precipitate the crisis they hope to avoid. "Should International Banks Continue to Lend to Brazil?" asks a symposium in the May 1976 issue of *Euromoney*. The nearly unanimous answer is yes. But will they actually do it, risking more of their own institutions' money?

How did the banks come to paint themselves into such a corner? In the first place, one must understand that loans to Third World countries are only a special case of the general over-extension of bank loans to questionable credit risks which was explained in an earlier MR article. If we simply substitute "Third World governments" every time the word "corporation" occurs in the following passage from that article, we can see how close is the parallel with domestic lending:

> It should be noted that the very ease with which the larger corporations can get loans facilitates their carrying on their own business affairs beyond safe limits, as clearly seen in the steady decline in the ratio of liquid reserves relative to what the corporations owe. . . . And the harder it becomes for the corporations to repay their bank loans (because of declining liquidity), the more the banks are obliged to grant further loans to prevent borrowers from going bust and thus defaulting on the backlog of loans. As willing or unwilling collaborators in the process by which the large corporations operate closer and closer to the edge of the precipice,

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the banks are themselves drawn nearer to the same edge, for they can manage to lend at such a furious rate only by impairing their own liquidity.[13]

As already noted, one particularly important source of loans to Third World countries has been the Eurodollar or Eurocurrency market as it has been called lately. "Eurodollars" are simply dollars deposited with and lent by banks located outside the United States. The Eurodollar market is a very recent phenomenon, only about a decade old, and its large-scale participation in loans to the Third World dates only from the early 1970s. The dollars which fueled this market originated in the large U.S. payments deficits of the 1960s, which were financed in large part by foreigners' willingness to hold the dollars they were paid for exports to the United States. The special dynamism of the Eurodollar market is due to the fact that the banks handling it are not subject to the regulations imposed on domestic banking, particularly with respect to reserve ratios. In fact, about the only requirement for participation in the Eurodollar market is office space in London, the physical center of the market (also chosen for the absence of regulations or control of capital flows). This virtual lack of control makes for adventuresome, profitable—and risky—lending operations. The banks engaged in Eurodollar lending include London branches of all the major American banks (plus many of the not-so-large), and consortium banks which have been founded with joint ownership of several American banks for the purpose of cashing in on the "go-go" Eurodollar market. (European, Japanese, Arab, and Soviet banks also participate, in addition to the Americans, and the use of their currencies in the same fashion has given rise to the term "Eurocurrency" market.)

Starting about 1971, the Euromarket lenders found themselves with an increasing supply of money to lend out and a contracting market for loans in the rich countries. Money not lent means profits foregone, and the bankers extended their vision to Third World countries which had normally been considered higher-risk borrowers. They were encouraged in this by vigorous drum-beating by the U.S. government, the World Bank, and the IMF on behalf of the "economic miracles" of

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countries like Brazil and South Korea, which were able to point to rather amazing rates of export growth assumed to promise good prospects for repayment. By 1973-1974 the commodity-price boom and the omnipresent worry that the world was "running out of resources" made the Third World countries look like even better credit risks. Although the price boom in fact temporarily lowered and in some cases reversed the chronic trade deficit of these countries, which should have meant that their need to borrow was *less* urgent, the rising value of their exports made both the lending banks and the borrowing country officials confident that loans were a good idea.

It is hard to believe that the bankers making these loans could have been so short-sighted as to take a commodity price boom for permanent and neglect to study the underlying trends in the borrowing countries' balance of payments (as discussed in the first part of the article). Yet the evidence is that they either did neglect to make a serious study of the borrowers' ability to repay or, under the extreme competitive pressures of the market, closed their eyes to the risk and hoped. The *New York Times,* for example, recently reported that "lenders in the past frequently placed millions of dollars in loans without having the most basic first-hand information about a situation."[14] An article in the IMF *Staff Papers* reports that loan decisions were often made on an ad hoc basis or on the strength of personal contacts. Also, "the existence of natural resources is considered generally as sufficient evidence of credit worthiness."[15]

Perhaps the most surprising evidence of the ignorance in which loans were extended is the publication of an article in the trade publication, *Euromoney,* on "evaluating the risks of lending to developing countries." This article, published in April 1976, i.e., several years after the fad for this kind of lending began, contains information of the most elementary sort for predicting the economic *capability* of a country to repay its debt, as well as the political risk which would affect its *willingness* to pay, particularly in case of a change in government. It seems as though we have here a classic case of locking the barn door after the horse is stolen: one can only marvel at the billions of dollars which must have been lent without such an elementary systematic analysis!

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The banks were not completely crazy, however, nor completely unaware of the risks when they began their lending spree. Several new techniques were developed in order to hedge against the risks which were recognized, if only in a vague way. One of these was the encouragement of broad participation by a number of banks in any single loan. This could be done either through the mechanism of a consortium bank, established for the particular purpose of channeling funds from several co-owner banks; or through the very popular mechanism of syndicating large loans among as many as 20 or 30 banks, so that in the case of a default on a particular loan the loss would be widely spread.

Another technique which has come into use is the floating interest rate. Rather than stipulating one interest rate for the lifetime of the loan agreement, the rate is set at a certain percentage or "spread" above the London InterBank Offer Rate (LIBOR), and every three or six months the actual interest rate on the loan is adjusted as the LIBOR itself moves up or down. This protects banks against a long-term adverse movement of interest rates by shifting the risk to the borrowers. A country which borrows originally at what seems to be a moderate interest rate thus may find itself stuck with much higher rates at a later stage of the loan's lifetime. This device may make the loan look more attractive from the bank's point of view, but it is also obvious that it may do more to increase than to diminish the risk of ultimate default by the borrower.

Syndicated loans and floating interest rates are not the banks' last resort against lending risks, however. The ultimate sanction, just as in the days of the gunboats, is political. The bankers are counting on the assumption that the governments of the aid-giving nations, and the World Bank and IMF which they support, will not be willing and *cannot* afford to allow either their client governments or their major financial institutions to fall into bankruptcy. This attitude stands out clearly in the pages of *Euromoney*:

> Though it was never articulated in so many words, most bankers must also have assumed that loans lent to LDC governments would be underwritten by the official aid programs of the developed world. No Western government had any wish to see a

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debtor country default, or to inflict a major loss on its own banking system.[16]

On the one hand, a purely technical analysis of the NODC's current financial position would suggest that defaults are inevitable; yet on the other hand, many experts feel that this is not likely to happen. The World Bank, IMF, and the governments of major industrialized nations, they argue, would step in rather than watch any default seriously disrupt the entire Euromarket apparatus with possible secondary damage to their own domestic banking systems, which in many cases are already straining under their own credit problems.[17]

In the case of such countries as South Korea, the Philippines, Taiwan or Israel, it is reasonable to expect that the day of default would be forestalled indefinitely as long as the stake of the U.S. government in their economic and political stability remains high.[18]

It is clear, then, what the bankers themselves are now proposing as the solution to the mounting debt crisis. The governments of the creditor countries are to come to the aid of their Third World clients and their own capitalists by increasing their official aid programs, bilateral and multilateral, by massive amounts. Furthermore, governments should bear the primary onus of debt rescheduling, as they did during the first wave of debt crises in the 1960s, when private debt was mainly in the form of suppliers' credits. This means in effect that the taxpayers of the aid-giving countries are being asked to foot the bill to prevent the collapse of their nations' financial institutions (just as in the New York City case), with the money passing only in theory through the hands of the debtor governments on its way to repay bank loans.

Further, despite their dangerously overextended present position, the banks do not want to be left out of future lucrative business in Third World loans, as long as they can shift the risk to other parties. An article by David I. Levine, executive director of Chase Manhattan (London) in a recent issue of *Euromoney* gives a good idea of this thinking. He proposes that, in addition to massive additional aid, creditor governments should guarantee bank loans to Third World countries, making explicit what the bankers have heretofore taken on faith. Levine also suggests that banks could shift the risks to multinational corporations, the customers for the raw materials production

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they are financing, by obtaining long-term purchase commitments which would guarantee a stream of income from which bank loans could be repaid. (Levine admits, however, that there is a contradiction here, in that corporations are themselves important bank customers and, by making themselves the favored creditors, banks may simply be inviting collapse by a less direct route, through the insolvency of their corporate customers.) He proposes that in future, banks should evaluate projects very carefully for their capacity to generate revenue sufficient to pay off the loan; and he suggests that they seek to earmark the revenues from the specific project for repayment of their debt, with the bank in a most-favored-creditor position. This proposal is significant in that it is an excellent retreat from the "sovereign risk" loan—which relies on the ability of a country's balance of payments to service its official contracted debts—back to the project loan. It represents a throwback to the days of imperial China, where specific tax sources such as customs were mortgaged for the payment of specific loans.

The administrators of the World Bank and of the IMF agree with the bankers that official aid should be used to bail out private debtors and support the risks bankers seek to avoid. The IMF has just agreed to increase its quotas (and thus the borrowing power of members) and is setting up a special trust fund for Third World countries to be financed by the sale of part of its gold stock. The World Bank has opened a "Third Window" which will extend loans on terms softer than regular World Bank loans but harder than IDA loans; and it is proposing a fifth replenishment of the funds of the IDA, which makes loans on the most concessional terms. And both institutions are exhorting the rich countries to increase official aid programs.

(The Bank and Fund, it is true, have tried to limit the accumulation of private debt by the countries they advise, usually by setting loan ceilings and warning that debts contracted without their approval or above the ceilings will not be guaranteed. These provisions have remained fairly ineffective, however, so long as there are borrowers and lenders willing to get together. Perhaps the most spectacular recent failure of this policy is the case of Indonesia's nominally state-owned oil com-

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pany, Pertamina, which ran up debts roughly twice those contracted officially by the government despite the efforts of the Fund and Bank to enforce limits on its borrowing. Despite the "unsecured" nature of these debts, when Pertamina went bankrupt the Indonesian government agreed to take over these obligations in their burdensome entirety.)

In the 1960s, official aid did succeed in bailing out Third World debtors and their private creditors. Conferences of creditor nations were arranged as debtors fell into arrears, and debt rescheduling was negotiated on at least 25 occasions for 15 different countries. But the problems of the late 1970s are different, both qualitatively and quantitatively. The deficits of this decade are much larger than they used to be, thanks to the oil price rises, the continued inflation in the industrialized world, and (not least in importance) the eagerness of banks to finance these deficits. Even if there were no political problems in getting aid appropriated, the sheer amounts needed, in money and real resources, create serious contradictions for a capitalist economy.

But there are political problems, and quite serious ones, which the McNamaras and Levines will have great difficulty overcoming. Foreign aid, always unpopular with conservatives and isolationists, is even less attractive to such people today in the wake of OPEC, UNCTAD, and irresponsible banking operations. And the isolationists are now being joined in opposition by anti-imperialists, educated through the Vietnam War to the realization that foreign aid is shoring up reactionary governments and flowing back into capitalist pockets rather than feeding hungry people. Significant victories have been won by these forces in curbing U.S. involvement in Indochina and Angola. Legislation requiring that aid be cut off to governments which systematically violate human rights, although this is by no means easy to prove and implement, has given them a new tool to work with. And the list of countries under attack for human-rights violations is nearly identical with the list of those with imminent debt problems: Brazil, Chile, Argentina, Indonesia, Philippines, South Korea. Some members of the U.S. Congress are waking up to the fact that debt rescheduling is functionally equivalent to the appropriation of new aid, and demanding that it, too, be subject to legislative approval.

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An increase in IMF quotas and replenishment of the World Bank supply of concessional loan funds are likewise dependent on the agreement and appropriation of member (creditor) governments. They are thus also subject to legislative approval and vulnerable to disapproval. In fact while Robert McNamara calls for a Fifth Replenishment of the IDA, the U.S. Congress has so far refused to vote on the Fourth Replenishment. And the World Bank itself is in danger of running out of funds. According to McNamara: "The Articles of Agreement of the Bank provide that loans outstanding and disbursed shall not exceed the equivalent of unimpaired subscribed capital, reserves, and surplus. This provision would force us, at the proposed level of lending, to cease making loans in the early 1980s."[19]

As for the other solutions proposed by banker Levine, expanded government guarantees of private loans might provide one avenue by which pro-aid officials could deceive Congress in the short run, but probably not for long, especially if there is a wave of defaults. The World Bank is now getting into the business of guaranteeing private loans through co-financing projects which include private loans. The loan agreements of both Bank and private parties contain cross-default clauses, whereby a default to one lender permits suspension of further disbursements by the other. Since, however, the provision is apparently permissive rather than mandatory, and since the World Bank has in practice seldom continued to lend to countries which default on private obligations, it is not clear just how much added security such a clause gives the private creditor.[20]

And even if, as Mr. Levine suggests, future bank lending is confined to carefully evaluated projects, it is inconceivable that such cautious lending could begin to cover the $150 billion, five-year deficit which he predicts will have to be met. In short, after taking a close look at *all* the solutions which have been propounded by bankers and aid officials for surmounting the huge deficits predicted for the late 1970s, we must conclude that all of them taken together are likely to prove sadly inadequate. The past chronic deficits of Third World countries have made them such incontrovertibly poor credit risks that they are now scraping the bottom of the barrel for creditors, willing or unwilling. There will, in all likelihood, be no such massive defi-

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cits as were predicted for the late 1970s because no one will be found to finance them.

Since it is also unlikely that the export earnings of the affected countries will swing upwards sufficiently to cover both their large debt obligations and the large level of imports they have become accustomed to, it is clear that either debt service or imports, and most likely both, will have to be cut back. The countries which are already in serious difficulties with debt repayments (Brazil, Argentina, South Korea, Zaire) have begun to cut back on their imports. The latter three have agreed to implement IMF-designed stabilization programs which will certainly curtail growth and worsen income distribution, but are unlikely to put the balance of payments on a lastingly healthy footing. The recent military coup and related IMF program in Argentina are a dreary repetition of the events of 1966, and are no more likely to end that country's problems than they did a decade ago. Brazil has not yet treated with the IMF, but has designed its own austerity program, which includes tough import controls and a slowing of the growth rate to between 3 and 4 percent, but despite these adjustments inflation is predicted to reach 50 percent in 1976. To the extent that Brazil and other debtor countries may be "bailed out" by new infusions of concessional aid, they will have to submit to the inevitably associated "strings" and conditions, including acceptance of unpopular IMF stabilization programs.

These countries are naturally unwilling to cut back on the imports to which they have become accustomed, and which their Western mentors have taught them to regard as the necessary condition of "development"—if not indeed the very definition of development. Therefore they are beginning to talk more loudly, in UNCTAD (IV) and other forums, about the desirability of a general debt moratorium. If such a moratorium were to be decided upon, it would be very worrisome to their creditors, particularly the private banks. But the bankers do not consider this a very serious possibility. It is unlikely that the Third World countries could secure the approval of creditor countries for any such step, although their rhetorical demands imply their wish for such approval which would eliminate the possibility of sanctions against them. It is furthermore very un-

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likely that any sizable number of countries could get together and agree on a concerted general or selective default because so long as they remain dependent on the trading facilities and further credit of the industrialized countries the temptation will be strong to stay out of the ranks of the defaulters and remain a privileged credit risk. The less desperate are not likely to see much percentage in solidarity with the most desperate.

What is more likely is that the most desperate will default individually on their obligations, as indeed has already begun to happen. As the trend accelerates and official aid programs prove inadequate to bail everyone out at the same time, radical changes will be necessary. And here it is important to understand what does and what does not happen to a bankrupt nation. Neither Bangladesh nor Brazil will sink into the ocean if they cannot pay their debts. On the contrary, they will retain their natural physical and human resources and, what is more, by defaulting they will proclaim their desire to use those resources for the needs of the present generation rather than export them to pay off the extravagances of past generations.

If this wish is to be realized, radical political changes will have to back it up; and it cannot be assumed that such radical changes will happen inevitably or without great difficulties and upheavals, since the long-term trade deficits financed by government aid and easy private lending have created vested political interests which will resist any basic changes in the status quo. But, with their sources of financing dried up, these interests will be weakened, and the chances of successful struggles to replace governments which do not recognize the necessity for a change of course by those which do will be improved.

A nation which deliberately decides to repudiate its foreign debts must expect to suffer difficulties in the short run. Its creditors will refuse to extend new loans, and ordinary trade finance will probably suffer. Its property in other countries—bank accounts or shiploads of goods—may be attached, frozen, or threatened in such a fashion as to scare off other creditors who might be willing to lend, as Allende's Chile discovered to its cost. A web of international institutions and treaties has been constructed expressly to make sanctions for non-payment of debts as severe as possible.

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Nevertheless, individuals can no longer be thrown into prison for debt, and it never has been possible to imprison whole countries, short of military invasion, for nonpayment.* What should be emphasized in the present situation is that they are in a sort of prison now as they labor under the load of accumulated debt. Recently established socialist countries, notably China and Cuba, have demonstrated that a government which repudiates its overthrown predecessor's debts but scrupulously honors its own can quickly re-establish a first-class credit rating, despite the moral disapproval and more concrete sabotage efforts of hostile capitalist governments. According to *Euromoney*:

> One of the most successful Latin American economies in the 1970s is that of Cuba. Barring the economic miracles of Brazil [sic!] and Venezuela, Fidel Castro's country is about the most bankable around, and that is not likely to change soon.
>
> Western European governments . . . are showing unprecedented confidence in Cuba's economy. Britain, for instance, has stopped extending credits to Argentina, but is fast stepping up those to Señor Castro.[21]

One socialist country, North Korea, is currently in arrears on payments of some of its international loans. This is somewhat of an embarrassment for the present writer, who had previously praised the Democratic People's Republic for its self-reliant policy of economic development.[22] When considered closely, however, the North Korean case proves to be (thus far, at any rate) the exception that proves the rule, and a model even in its mode of default. For Pyongyang, unlike Buenos Aires or Seoul, has not called in the IMF to reorganize its economy and restore its credit rating, nor has anyone suggested that it should. Rather, it is taking the consequences of default, and they appear to be none too severe. Some creditor governments in Europe are refusing to grant new credits. The Japanese government, however, is hoping to avoid a formal declaration of default, which would force it to cut off credit and thus sever a trade relationship to which it attaches great importance.[23] Presumably the North Koreans will pay off their obligations when they feel they can afford to do so.

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* The possibility of military actions to force debtor countries into line of course exists, but it is beyond the scope of the present article.

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We are likely to see a rising wave of defaults in the coming few years, the resumption of a trend which had begun in the early 1970s but was temporarily suspended by the boom in commodity prices and Eurodollar lending. The consequences for the capitalist world may be severe, because of the danger of upsetting an already precarious balance; the problems of U.S. banks are those of many different kinds of bad loans, and the Third World should not be held exclusively responsible for the bankers' sins. For the Third World countries, these defaults will mean inevitable difficulties and dislocations, but they may open the possibility of a badly needed restructuring of the defaulting country's economy. A continuation of the present system of aid and lending and officially sanctioned debt rescheduling holds out no such hopeful prospect.

NOTES

1. Henry J. Bitterman, *The Refunding of International Debt,* Durham, N.C.: Duke University Press, 1973, p. 216.
2. Computed from Table 2 (long- and short-term totals combined) in Nicholas Sargen, "Commercial Bank Lending to Developing Countries," *Economic Review* of the Federal Reserve Bank of San Francisco (Spring 1976), p. 22.
3. Azizale F. Mohammed and Fabrizio Saccomanni, "Short-term Banking and Euro-currency Credits to Developing Countries," *International Monetary Fund Staff Papers,* vol. 20 (1973), p. 625.
4. *Business Week* (March 1, 1976), p. 54.
5. David I. Levine, "Developing Countries and the $150 Billion Euromarket Financing Problem," *Euromoney* (December 1975), p. 14.
6. *New York Times* (January 15, 1976).
7. *Far Eastern Economic Review* (January 23, 1976), p. 46.
8. Levine, *op. cit.,* p. 14.
9. *Business Week, op. cit.*
10. *New York Times, op. cit.*
11. Sargen, *op. cit.,* p. 23.
12. *Ibid.,* p. 29. They might remember that there's always a first time!
13. Review of the Month: "Banks: Skating on Thin Ice," MONTHLY REVIEW (February 1975), p. 12.
14. *New York Times, op. cit.*
15. Mohammed and Saccomanni, *op. cit.,* p. 623.

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16. Pierre Latour in *Euromoney* (October 1975), p. 4.
17. Levine, *op. cit.*, p. 14.
18. Charles G. Grave, "U.S. Banks' International Loans Under Scrutiny," *Euromoney* (March 1976), p. 13.
19. Robert S. McNamara, Address to the 1975 Annual Meeting of the Board of Governors of the World Bank and IMF, in the *Summary Proceedings*, p. 24.
20. William H. Wainwright and Dennis E. Flannery, "How Co-financing Formulas Open New Passages for Funds to Developing Countries," *Euromoney* (February 1976), pp. 14-16; also Stefan D. Derecho, "Co-financing between International Agencies and the Private Sector," *Euromoney* (March 1976), pp. 20-21.
21. *Euromoney* (October 1975), pp. 83-84.
22. Cheryl Payer, *The Debt Trap* (Monthly Review Press, 1974), pp. 203, 206 and Appendix 4.
23. *Far Eastern Economic Review* (April 9, 1976), p. 38.

THE EDITORS COMMENT

Since the above article was written, the *New York Times* (July 24, 1976) described a planned new bank loan to Peru which, on the one hand, indicates an intensification of the debt peonage of that country, and on the other suggests a straw in the wind as to what before long may apply to other Third World countries as well. Faced with continuous heavy balance-of-payments deficits and inability to pay the $318 million due this year on its outstanding foreign debt of $3.7 billion, the government of Peru turned to U.S. banks for additional loans. A group of bankers agreed to participate in a rescue operation, but only under terms that involve *direct intervention in the Peruvian economy,* including as a precondition of the loan specific measures reducing the standard of living of the masses and calling for continuous monitoring thereafter of Peru's economy by the private bankers. The *New York Times* described this new departure as follows:

> The loan was contingent on the adoption of a drastic economic stabilization program by Peru.
>
> The loan agreement, details of which are still to be worked

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out, calls for a continuous monitoring of Peru's economic policies by the private bank creditors.

This kind of surveillance has traditionally been performed by the International Monetary Fund, when countries receive significant credits from it. The Peruvian credit, according to several participating bankers, is believed to be the first in which private lenders alone will police the borrower's monetary and fiscal policies.

To a significant degree this development is hardly new, but it does bring into the open what is usually hidden in the relations between bankers and weak borrowers: influence over the affairs of client states by tacit agreement, secret covenants, or "financial discipline" imposed by a supposedly disinterested international agency such as the IMF. What is new in the Peruvian case is the unabashed announcement of direct and overt control by private bankers in an era that is supposed to be characterized by growing sensitivity to the devices of imperialism and by a strengthening of the nationalist spirit among ruling classes in underdeveloped countries. While we might speculate on what the various explanatory factors may be, this new wrinkle at the very least reflects a deepening of dependency on the financial centers of imperialism by many Third World countries.*

It is especially noteworthy that this more blatant form of foreign banker control should take place in one of the small

* The other side of the coin is the profit potential for metropolitan banks in Third World preserves. Bankers are of course concerned about the financial frailty of some of their state clients and the effect default may have on their banks' capital structure. But they are also influenced by the desire to protect the sources of the money they make from a wide range of financial activities in the Third World. How important this source of profits can be for a giant world-wide bank can be seen in the following observations made in a recent *Fortune* article about Citibank: "It is little wonder that [First National City Bank] lays so much stress on Asia, Africa, and Latin America. In these areas it can count on a spread of perhaps five to six percentage points between the average yield and the average cost of funds. By contrast, in the United States the spread runs to about three to three and a half points. What's more, the cost of operating a bank in the poorer countries—real estate, salaries, etc.—is appreciably lower than in the United States, although the gap is narrowing. In consequence, the bank employs only about seven percent of its assets to get the 40 percent of its earnings that come from the less developed world. Only about 30 to 35 percent of its $15 billion portfolio of foreign loans

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number of Third World nations that have been actively seeking nationalist self-development by trying at one and the same time to escape from the yoke of imperialism and still remain a capitalist society. The difficulty with a middle course of this kind is that it generates stubborn contradictions, and the attempts to overcome these contradictions within the framework of a capitalist society land these independence-seeking nations right back in the imperialist network, along with its associated debt peonage.

The reason for such backtracking is that the relationships and constraints resulting from the long history of imperialist exploitation are extremely deep-rooted. The various reforms aimed at getting out of the dependent relationship—e.g., restructuring the economy by nationalizing some foreign investments, expanding state enterprise, and initiating agricultural reforms—do not enable the society to overcome the main obstacles. For without the abolition of class exploitation and an accompanying maximum mobilization of human and natural resources, the potentials for significant self-development are not realizable. Before long, therefore, the "reform" nations turn back to the traditional strategy for development, which is in fact the only plausible strategy as long as the society remains fundamentally capitalist: the doors are opened to foreign investors and foreign bankers.* The subsequent drain on foreign

is denominated in Eurodollars. The rest of the loans are made in local currencies to local businesses and individuals. Between $3 billion and $4 billion is lent to the poorer countries. The profit margins on this end of the business are spectacular. They are so high, in fact, that Wriston [chairman of the Board of Directors of Citibank] is fond of saying: 'Around here, it's Jakarta that pays the check.'" (Sanford Rose, "Why They Call It 'Fat City'," in *Fortune,* March 1975).

* As an example, note the following from a major article in *Business Week* about new investment opportunities in Latin America which appeared after this editorial comment was first drafted: "There is good news coming out of Latin America for the hundreds of U.S. and other foreign companies with a stake in this vast region: In a startling turnabout, major countries are opening their doors wider to private enterprise. Multinational executives who have been watching one Latin American country after another pull back from the radicalism of the early 1970s today consider the region to be one of the world's major investment opportunities." (*Business Week,* August 9, 1976)

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exchange reserves in order to transfer interest and profit to the metropolitan centers, piled on top of other causes of balance-of-payments deficits, generates the need for additional foreign debt and still more foreign investment. Thus, the only way out of the fundamental trap that Third World countries fall back into as they pursue the path of capitalist development is not another restructuring of the debt or an alternate set of reforms, but the definitive removal of the yoke of servitude imposed by domestic capitalism as well as by world imperialism.

What distinguishes the interest-bearing capital, so far as it is an essential element of the capitalist mode of production, from usurer's capital is in no way the nature or the character of this capital itself. It is merely the altered conditions under which it operates, and consequently the totally changed character of the borrower who transacts business with the money lender. Even in cases where a man without wealth receives credit in his capacity as an industrialist or merchant, it is done for the confident expectation that he will perform the function of a capitalist and appropriate some unpaid labor with the borrowed capital. He receives credit in his capacity as a potential capitalist. The circumstances that a man without wealth, but with energy, solidity, ability, and business sense, may become a capitalist in this way, is very much admired by the apologists of the capitalist system, and the commercial value of each individual is pretty accurately estimated under the capitalist mode of production. Although this circumstance continually brings an unwelcome number of new soldiers of fortune into the field and into competition with the already existing individual capitalists, it also secures the supremacy of capital itself, expands its basis, and enables it to recruit ever new forces for itself out of the lower layers of society. In a similar way the circumstance that the Catholic Church in the Middle Ages formed its hierarchy out of the best brains of people without regard to estate, birth, or wealth was one of the principal means of fortifying priest rule and suppressing the laity. The more a ruling class is able to assimilate the most prominent men of a ruled class, the more solid and dangerous its rule.

—Karl Marx, *Capital*, vol. 3

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BREAD AND JUSTICE:
The Struggle for Socialism in Guyana

BY CLIVE Y. THOMAS

The historical development of societies such as ours, which are based on antagonistic class relationships, has always been uneven. Whatever may be the surface manifestations—economic crisis, political conflict, war, famine, etc.—the fundamental sources of this uneven development lie in the unequal position in which groups of people stand in relation to the means of production and the struggles which develop among these groups for ownership of the means of production, and hence for control of the production or laboring process. While this has been true for all forms of class societies, it should be noted that the pattern of uneven development is very often reflected in the crises which from time to time confront the major institutions in the superstructure of these societies, viz., the trade unions, the political parties, the state, and so on. It is also frequently reflected in the pattern of development in the field of ideas—i.e., in the ideological struggles which occur in these societies.

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The nature of development of class societies has also always been characterized by the fact that, from time to time, further progress in the liberation of the exploited classes and groups has hinged fairly decisively on furthering an understanding within these classes of the ideology which serves their liberation. So it is with socialism, with Marxism-Leninism as a scientific tool for the emancipation of the working people.

In this article I propose, under the general title given above, to deal with two questions. I believe that an understanding of both of these is very crucial to the present struggle for socialism in Guyana. These are, *firstly*, can socialism be built at this stage of our development? And *secondly*, can socialism be constructed independent of political democracy?

Can Socialism Be Built at This Stage?

Given the wealth of propaganda which variously (and conflictingly) states that we are building socialism in Guyana, *or* that we are *already* a socialist society, it may at first blush appear surprising to many that we have not yet had any serious public dialogue on the very important question: can socialism be built at this stage of Guyana's development? This is without doubt a first-principle question which we must tackle before we can embark on any serious program of social reorganization. As a first-principle question it has three very important aspects. The *first* is this: insofar as Marxism-Leninism is the class ideology of the industrial proletariat, and as an ideology its development must depend on the existence of an industrial proletariat (which implies its opposite, the bourgeoisie)—can socialist ideology take root in a country where the industrial proletariat is numerically very weak, and where the national bourgeoisie has not developed enough to conclusively dominate class relations and therefore stamp the state apparatus with its character? The *second* aspect is whether or not countries can skip stages of social development, i.e., can the peoples caught up in the anti-colonial revolution not only secure political independence but also move on to socialism without going through Latin American-type stages of neocolonial, dependent capitalist development? The *third* aspect is, can socialism be constructed

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independent of the level of development of a country's productive forces? Is Marxism-Leninism, in other words, merely a way to "soup-bowl" socialism, i.e., dignified poverty and an equal room in the barracks for all?

Despite the lack of public dialogue in Guyana, debate and analysis of these issues have been going on for at least six decades among communist and workers' parties the world over. At the 1960 Congress of World Communist and Workers Parties held in Moscow, an attempt was made to give a definitive answer to these questions. This was offered in terms of what has since come to be known as the thesis of the necessary stage of *non-capitalist development* or *national democracy.* In brief, the position taken at that conference was that the next general stage of development after the colonial revolutions and national liberation movements which communist and workers parties should struggle for, is the construction of "non-capitalist systems or national democracies." "In reality, the non-capitalist path is the *general form* of *the approach* to the transition to socialism."* This analysis thus admits that there are *two distinct* historical stages. There is the transition to socialism, which the advanced states of Europe are engaged upon; in the case of the recent ex-colonial territories this will have to be preceded by a phase of non-capitalist or national democratic development.

Non-Capitalist Development?

The interesting issue for us to ponder is what, according to this thesis, are the characteristics which a society must in general possess to qualify it as proceeding along a non-capitalist road, thereby ensuring national democratic development and the consolidation of the preconditions for later socialist construction.

First, given the numerical weakness of the industrial proletariat, an alliance of the peasantry and the working class has to be the foundation on which political and social struggle is built.

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* Tshume, "The Non-Capitalist Path in Africa," *The African Communist,* No. 52, First Quarter 1973, p. 44.

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Second, certain priority tasks of a national democratic character have to be vigorously pursued. These are:

(i) An end to all foreign monopolies in the national economy.
(ii) The immediate implementation of a program of agrarian reform and the end to all forms of rural exploitation.
(iii) The elimination of domestic monopoly and all forms of domestic exploitation.
(iv) The consolidation of a planning machinery with which to pursue scientifically the establishment of a national industrial structure and a diversified agriculture.
(v) The consolidation of national sovereignty and national independence, by bringing to an end all foreign bases and alliances with imperialist powers, and the pursuit of an independent and vigorous foreign policy, i.e., a foreign policy in unqualified support of national liberation and against imperialism.
(vi) Democratization of all aspects of social life and a resolute fight against all dictatorial and anti-popular methods of government.

Third, the fact that in these societies, because of the underdevelopment of the working class and the national bourgeoisie, the state in all its major areas of functioning (administration of justice, security, political decision-making, legislation, planning, etc.) is underdeveloped and dominated by petty-bourgeois elements, creates the illusion that it is a relatively autonomous institution, which alone and unlike all other institutions is above and beyond class. The truth behind this illusion is that class formation is in process, and eventually one or other of the major classes will secure sufficient domination of the state to stamp it with its character. Until then the state must remain an inherently unstable institution. It thus appears to the observer that the state is capable of adopting, and in fact frequently has adopted, positions on the right or left, almost overnight. Thus we have had so-called "socialism" come and go in countries such as Ghana, Mali, Egypt, Indonesia, Uganda, Chile, etc. In addition, the coup has become the most frequent means of political change, again underlining the inherent instability of the state.

These therefore, are the broad characteristics of the na-

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tional democratic state on the non-capitalistic path. However, in practice a great deal of overemphasis has been placed on the anti-imperialist *posture* of the state, usually as expressed in its foreign policy pronouncements and its willingness to nationalize foreign monopolies, to the exclusion of all else. This has led to some very dangerous developments deriving from interpretations of the non-capitalist thesis.

One danger is that although the thesis admits the basically unstable nature of the state, very little emphasis has been placed on the process of class formation and development within these societies. As a result, not enough attention has been placed on the form of class control which emerges within the state. The scope for the independent development of working-class institutions and working-class power is largely neglected. The consequence of all this is that internal development has come to play a secondary role.

A second dangerous feature of interpretations of the non-capitalist path is the willingness of many to overlook the essentiality of the last characteristic listed above, i.e., "democratization of all aspects of social life, and a resolute fight against all dictatorial and anti-popular methods of government." (As these two points constitute the core of the second topic taken up in this article, I will return to them later.)

The third dangerous characteristic is that while focusing on nationalization and foreign policy postures, it is easy to overlook what the West Indian socialist and revolutionary Fanon has referred to as the "pitfalls of national consciousness." Surveying the experiences of the ex-colonial states, one can note among other things that revolutionary rhetoric has frequently been used as a *substitute* for revolutionary practice. Moreover, in the use of revolutionary rhetoric there has been more often than not a deliberate distortion of the scientific concepts of Marxism-Leninism.

Finally, experience also suggests that the state mechanism has functioned, and indeed can only function—given the historical experiences of certain areas of the colonial middle class—along certain lines: (i) by seeking to concentrate more and more power in the hands of the ruling section of the petty bourgeoisie; (ii) by eschewing democratic practice and ruling

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through the means of political repression, victimization, and limitation of popular expression and participation in national life by all but the most loyal supporters of the ruling elite; (iii) by manipulating racial and/or tribal divisions among the people in order to consolidate the rule of those in power. Given these characteristic forms of political corruption, it is not surprising to find corruption in all spheres of national life. Culture and national consciousness, rather than becoming instruments of liberation, often in fact become the ideological forms under which domination and exploitation persist.

These weaknesses which I have stressed in the interpretation of the concept of non-capitalist development have all been derived from a study of the *general* process of decolonization and class struggle in the ex-colonial territories over the past three decades. This study shows that the period of so-called non-capitalist development can mask—and frequently has masked—anti-national and anti-democratic developments. Unless, therefore, we keep as our principal focus the stages of the class struggle, unless we pay close attention to the scope and extent of development of working-class institutions and the independent roads available for the working class to come to power, we cannot deal with the problem posed at the beginning, i.e., can socialism be built at this stage of Guyana's development?

Some Theses on Guyana

In addition to the general analysis given so far, some specific features of Guyana have to be borne in mind. For one thing, there is the racial split of the working sections of our population, including the peasantry. It seems elementary to me that if you do not have a united working class, you cannot have working-class control of social development. And where you do not have working-class control of social development, you do not have and indeed cannot build socialism. Where, as in Guyana, the racial division is very deeply rooted in the social organization of production and so long as this is further compounded by the fact that the political parties for the most part mobilize *covertly,* if not *overtly,* on the basis of race, there exists an insuperable obstacle to any claim of socialist progress. An additional feature to bear in mind is that it was only very

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recently that socialism became ideologically respectable. This means, to put the best interpretation on it, that the development of a class perspective among the cadres of the ruling party has had no time to mature. The problem we are then faced with is whether it is possible for a ruling party to build socialism without socialist cadres well versed in the principles of scientific socialism in both the party and state apparatuses. There is always a very, very grave risk attached to what has been, in our instance, overnight conversions to socialism. If, as is most likely the case, the development of socialism is challenged by imperialist intervention, it is almost certain that those recent converts who lack either breadth or depth of training and understanding of socialism, and who frequently shout the slogans loudest, will be the first to be shouting something else.

In Guyana our cultural experiences under slavery and indenture have exposed us to certain authoritarian forms of control. I do not have to repeat the well-known facts about this: the rigid social stratification of the plantation, its hierarchical pattern of rule from above, its alienating conditions of social existence, and so on. What I would stress is that this same historical experience has brought with it a predisposition to repressive forms of rule among those placed "in authority" (as has been the case with the plantation managers), as well as certain attitudes of opportunism among the ruled.

In this situation it is tempting to view politics not as a crucial dimension of our whole cultural development but instead (as Prime Minister Burnham has made famous) as "the science of deals," "manipulation," "smartness," "sweet-talk," and "mamaguy"—the hallmark of the low level of political and hence cultural development. These tendencies are likely to be worsened if, as one expects, the party/state distinction is progressively blurred. For then all organizations, all independent expressions of the popular will can be classed as standing in conflict with either state or party or both. And it is on this basis that the stage can be set for the struggle to bring the major working-class institutions—particularly the trade unions—under state control and direction.

In Guyana the harsh fact is that despite the nationalizations, etc., the overwhelming bulk of our trade, investment,

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foreign debt, training, and cultural ties is still with the capitalist and imperialist countries. And this is not to mention the 1966 military treaty, signed on the very day of independence, between the U.S. government and our present government. This dependence is a clear reflection of the social nature of the productive organization of the country. We can therefore ask ourselves: Is it logical to expect a labor force producing almost exclusively for capitalist markets to be anything but capitalistically organized and oriented?

This list can of course be added to almost indefinitely. But enough has been said, I hope, to approach seriously the answer to our first question. Given our social development, it is obvious that we have to conclude the colonial revolution. Too much of the colonial past still remains. We have therefore to consolidate the conditions for socialist transformation before we can embark on the transition itself. The extent to which we are doing so—indeed, I would submit, the gauge of our ability to do so—cannot be measured by foreign-policy pronouncements or simply by nationalizations. Historical experience suggests that it resides first and foremost in the state of the class struggle, i.e., in the scope of working-class unity, the pace and pattern of development of independent workers' institutions, and political democracy. It also resides in the extent to which our productive forces are transformed and developed. This means, among other things, the state of the agrarian revolution (land for the landless and an end to feudal land-holding arrangements); the abolition of unemployment, since this will always exist (and only exists) in capitalist societies; the development of national industry and a diversified agriculture; and finally the exercise of workers' control of the production process to parallel and reinforce their control of the political process. None of this of course means that the vigorous pursuit of a progressive foreign policy or nationalizations is unimportant. What it does mean is that these are not to be taken as ends in themselves but rather as the means toward the liberation of the historically exploited. The only measure of progress therefore is the removal of the bases of the social exploitation of man by man.

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Socialism and Political Democracy

We can now turn to the next topic, which is, can a socialist society be constructed without political democracy? Regrettably, an unfortunate attitude has developed (which is not supported by Marxist-Leninist theory) of counterposing socialism and political democracy, an attitude based on the argument that socialism does not require political democracy. As this argument goes, political democracy is a *bourgeois illusion,* based on so-called bourgeois freedoms, which are simply a mask hiding the system of economic domination of the workers in capitalist societies. It is suggested, therefore, that political democracy can have no place in a socialist society. This attitude, and the arguments advanced in support of it, have been used in recent times in all corners of the globe to justify repression and tyranny on an unprecedented scale. *The basis of this attitude lies either in an elementary misunderstanding of the concept "dictatorship of the proletariat," or in deliberate distortion of Marxism.* Anyone who has read Marx must know that the concept "dictatorship of the proletariat," which has so often been bandied about recently, refers to the sociological domination of the working class. This domination does not mean any such trite and superficial *political* notion as authoritarian and tyrannical government. The sociological domination of the working class in socialism is expressed in its domination over the means of production and its direction of the labor process. It is also, contrary to this belief, to be expressed in the development of genuine democracy. Marxist theory has always been explicitly based on the creative interaction of socialism and political democracy.

As Lenin made very clear in *State and Revolution,* "without representative institutions we cannot imagine democracy, not even proletarian democracy." Referring to freedom, Rosa Luxemburg in 1918 pointed out in her essay on *The Russian Revolution*: "Freedom only for the supporters of the government, only for the members of one party—however numerous they may be—is no freedom at all. Freedom is always and exclusively freedom for the one who thinks differently. Not because of any fanatical concept of justice but because all

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that is instructive, wholesome, and purifying in political freedom depends on this essential characteristic." Or to quote Lenin again: "Proletarian dictatorship must inevitably entail not only a change in democratic forms and institutions, generally speaking, but precisely such a change as to provide an unparalleled extension of the actual enjoyment of democracy by those oppressed by capitalism—the toiling masses." (*Selected Works,* vol. 3, p. 156)

What are these freedoms which are termed bourgeois and thereafter declared to be luxuries in order to justify trampling upon them and abusing them? In general they include a number of individual and collective rights, viz., freedom of speech and expression, freedom of association, freedom of publication, the democratization of political life and the electoral system, the independence of the judiciary, the right to privacy, the insistence that institutions be representative of the popular will, and so on. A mere glance at this list of so-called bourgeois freedoms shows that, to the extent they do exist or have existed in Guyana, they have all been won on the basis of working-class struggle. It was working-class struggle that demolished the colonial state. It was working-class struggle that led the way in the fight for representative political institutions. It was working-class struggle that won the right of "one man one vote." It was the workers who fought for the right to form workers' organizations. Whose knowledge of our own history is so slight as to deny that these freedoms are far from being simply bourgeois? That in fact they have been won at the cost of the workers' blood! Who can forget the struggles of Critchlow? Who can forget the Enmore shootings and the long history of struggle for the freedom of association in Guyana? No serious understanding of history can ever show that the advance of political democracy and the obtaining of individual and collective freedoms have been the product of bourgeois generosity. The workers have won, through struggle, every limited democratic right they have ever had. And so it will always be.

Political democracy and freedoms therefore cannot be counterposed to socialism. Any such argument or line of thinking is fundamentally anti-Marxist. Rationalizations of the need

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to curb freedoms in order to further so-called progress have no place in the building of a socialist society. To socialists, bread, or what can be more correctly termed the *promise of bread*, cannot be traded for freedom and social justice. On the contrary, socialist theory advances two fundamental arguments in direct opposition to this view.

In the first place, socialist theory argues that the weakness of freedom and political democracy *such as we have known it*, is not that it is too much and therefore should be curtailed, but that it is in fact too little. It is too little not simply because the range of such freedoms is narrow (which it undoubtedly is), but also because history has shown that without socialism political democracy and freedom are limited by two important considerations. The first consideration is that the workers (no matter what partial gains they might have obtained in this area) cannot fundamentally alter their position as proletarians on this basis alone. To achieve this they have to gain control of the means of production. They must be able to direct and control the production or laboring process. Unless they do so, they cannot direct the social development of society. The second consideration is that until the workers have this kind of control, political democracy and freedom remain insecure. History has shown, beginning with the Russian Revolution and continuing right down to Chile, and including along the way our own history of intervention in 1953, that if the capitalists and imperialists believe that their class domination is threatened because of a growing political awareness among the working class, they will not hesitate to demolish freedoms and political democracy and maintain capitalist rule by tyranny.

The second main argument of socialist theory is that political democracy cannot be discussed as an abstract or pure concept. To be meaningful, it has to be related to the nature of the social system. When therefore we refer to the nature of the social system, it will be seen that democracy and freedom constitute an integrated system of economic, political, social and ideological relations. The basis of democracy is economic democracy, i.e., freedom from the tyranny of capital and alien domination of the labor and production process. It follows that the task of socialist construction is to expand the areas of

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social justice. This can only be done by, first of all, consolidating existing freedoms. This is achieved through the abolition of class domination and the progressive creation of social equality in the status of labor. Simultaneously, socialist construction requires the expansion of freedoms in three areas:

(1) In the wider participation of the masses in administration, defense, public order, justice, i.e., in the implementation of *practical democracy* at every level of government.

(2) Through providing guarantees to *every citizen*, irrespective of party membership, of the right to a job, education, health, leisure, and participation in the control of the means of production.

(3) By systematically encouraging and promoting the expansion and development of the political culture. This can be accomplished not by emphasizing "deals," as we noted earlier, but by way of the promotion of representative institutions. In this regard socialism attaches paramount importance to the consolidation and development of trade union and political-party democracy.

To socialists all democratic rights are rights of the people. They are the people's rights because they have been won by the people. They can never be considered as the unilateral concession of the state to the people, and therefore removable by the state as and when it believes persons are not toeing the line.

A number of points emerge from our analysis. One is that socialism cannot be built without political democracy. The task of socialism is to expand freedom and political democracy by solving the problems of the economic conditions of exploitation which confront the workers.

Indeed, I have argued that socialism always requires political democracy and freedom as necessary conditions for its development. Furthermore, as a logical consequence of this, it follows that *to the extent that democratic practices are not being promoted the tasks of socialist construction are also not being tackled.* Thirdly, it remains true that in the absence of political democracy there is no way of ensuring that all those who shout socialism are not merely going through a ritual of protecting their jobs—"putting their mouths where the soup is dropping," as we say. The "instant conversions" we all know

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of obviously raise this as a very important issue. A fourth point is that at this critical juncture of our history, we must recognize, as the argument outlined in this article implies, that considerable success has been achieved by the crudely propagandistic line put out previously by some present-day converts to the effect that Marxists and socialists want to abolish democracy. As we have outlined it, socialism seeks to do more than formally proclaim rights. We are building something else, certainly not socialism, if the principal objective is not the creation of the conditions for the realization of these rights. As history has shown, unless this objective is tackled from the outset, we must admit we are not engaged in socialist construction but simply in the rationalization of political tyranny.

To conclude our analysis, it is clear that we simultaneously need bread and social justice. The extent to which we can obtain bread depends on the extent to which the workers secure a rearrangement of the existing forms of control of our productive forces and their development. It is clear from what has been said so far that in the present context of Guyana this rearrangement has to be rooted in agrarian reform—immediate land for the landless and an end to feudal control of the countryside; in full employment—which is perhaps the best single test of the extent to which a genuine reorganization is taking place, since the first principle of socialist planning is full employment for all; and in a drastic reordering of the priorities of production and consumption.

On the other hand, the extent to which we obtain social justice depends on the development of democratic political practices. State ownership of resources without political democracy means elite control of the means of production. Elite control of the means of production, along with the spread of the bureaucracy, creates an unlimited scope for personal power drives. It gives to those in power an array of intimidatory weapons with which to confront all criticism and dissent. The struggle for socialism in Guyana is therefore a struggle for democracy as well as a struggle for bread.

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CONTINUITY AND CHANGE IN GUYANESE UNDERDEVELOPMENT

BY JAY R. MANDLE

Recently in Guyana the government took over the assets of Booker McConnell & Company, Ltd. In Guyanese history, the importance of this development can scarcely be exaggerated. For it was Bookers which owned or controlled the plantations upon which Guyana's monocultural economy rested. With Bookers nationalized, expatriate financial interests have been reduced to virtual insignificance in Guyana. Only branch banks will represent substantial foreign investment in the country, and even these have been "miniaturized." Before moving to sugar, the government of L.F.S. Burnham had already nationalized the American- and Canadian-owned bauxite interests in the country; it had taken over responsibility for imports and a section of the distributive trades; most of the vehicles of communication in the country were owned by the government. Finally, the government had declared that the country was a cooperative socialist republic in which the goal was to make "the small man a real man." But, despite all of this, the authenticity of the gov-

This article will also be published in a special issue (early 1977) devoted to "Aspects of Modernization in Puerto Rico and the Caribbean" of the *Revista/Interamericana,* published by the Interamerican University Press, Hato Rey, Puerto Rico. Jay Mandle teaches economics at Temple University in Philadelphia.

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ernment's claim to radicalism stood in doubt until it addressed itself to sugar and Bookers. The factors which lie behind the importance of sugar and the dynamic which finally moved the government to take over sugar represent the focus of this article.

Before 1966 Guyana was a colony of Great Britain. During most of the period of colonialism, the plantation economy imposed by the British acted as the principal obstacle to Guyanese economic development.[1]* Through the establishment first of slavery and then of an elaborate system of indentured immigration, the colonial government guaranteed the availability of an abundant and cheap labor force to the owners of the colony's sugar plantations. Furthermore, access to the British market was assured through much of the period through special tariff and marketing arrangements. This combination of policies created an economic environment in which profit was gained by the sugar producers at the expense of economic growth for the country. The labor-supply system meant that the planters were faced with no strong incentive to initiate productivity-improving technological changes. At the same time marketing arrangements for the colony's staple tended to freeze use of its best drained and irrigated land in the production of only one crop at the expense, for example, of locally produced foodstuffs. Furthermore, concern with providing labor to the estates moved policy-makers to discourage the emergence of new sectors of economic activity. This was due to the fear that such new developments would stimulate competition for labor, and concern that a resulting bidding-up of wage rates would threaten the economic viability of the plantation sector. In combination, British policies before the Second World War resulted in a technologically stagnant monocultural economy.

The Second World War marked the end of Guyana's classic plantation economy. Throughout the war international trade was severely disrupted by German submarine activity. This meant that the colony faced grave difficulties both in importing goods and in exporting its traditional sugar staple. As a result it was forced for the first time to depend on its own resources,

* Notes will be found at the end of the article.

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especially in order to feed itself. The war-time "Grow More Food" campaign was eminently successful in this regard. Not only did the colony supply itself with essential foodstuffs, but it also provided such commodities to neighboring colonies in the West Indies. This agricultural program occurred at the same time as the construction of the Atkinson Air Base by the United States. Reliable estimates of the labor-force requirements of each of these new departures in economic activity are not available, but qualitative evidence suggests that together they produced a serious drain of manpower from the estates. The result was a shortage of labor on the plantations, a scarcity which had not existed since the mid-nineteenth century and the initiation of indentured immigration.

In response to this new scarcity and with the emergence of radical trade-union activity in the industry, the sugar producers became convinced that they could no longer rely upon the traditional availability of large numbers of docile sugar workers. Desiring to expand output to meet the market opportunities made available under the Commonwealth Sugar Agreement, yet suspicious about the reliability of the Guyanese labor force, the industry adopted a policy of labor-displacing mechanization in order to better expand its productive capability. By the end of the 1950s labor productivity was about twice as high as it had been during the 1930s. Hence despite increases in production this period saw an absolute decrease in employment in the industry.

Even so, in some important respects postwar colonial policy was as supportive of the plantation economy as it had been before the war. The "Grow More Food" campaign was viewed as competitive with sugar and was therefore shut down. A proposed program to invite industrial capital to the colony was discouraged for fear that it would threaten British industrial interests. Bauxite mining, a sector which had become increasingly important during the war, received no official attention and was thus allowed to remain an almost classic example of an enclave sector.

As a consequence, after the war sugar found its dominant position restored—but with one major difference. Always in the past sugar had been an industry which, though paying very low

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wages, was at least responsible for a large number of employment opportunities. Now in the aftermath of the war even this one redeeming feature of estate cultivation was lost.

The dynamic of underdevelopment thus changed: the pure plantation economy came to an end; the suffocating dominance of the estates declined; no longer was it the case that technological stagnation in a ubiquitous industry prevented development. Now the problem became the fact that technological change in the dominant industry was carried out in such a way as to increase the dualism and reduce the integration of an already fragmented economy. The decrease in employment meant that the connection between this industry and the rest of the economy declined, minimizing the positive contributions it could make to Guyanese development.

Havelock Brewster's study of wages, prices, and productivity supports the hypothesis of a decreased contribution of sugar to the Guyanese economy.[2] Between 1950 and 1960, employment in the sugar industry declined by about one fourth. During these same years, for those who remained in the industry there was a substantial increase in money wages. These increases, however, did not come even close to matching the increase which occurred in the value of the labor product. In this period the index of the value of labor productivity increased by 211 percent while money wage increases advanced only 57 percent. Thus during this time there must have been a substantial shift in the distributional shares in the industry away from labor and to property. But in the context of the expatriate ownership of the industry, this shift in turn meant that the linkages between the industry and the local economy must have been weakened. To be sure, the volume of money wages paid to the Guyanese labor force did increase, but while this increase was occurring the percentage of the total revenue received by the industry which was returned to the local economy must have declined significantly. Guyana, in short, had moved from a situation in which the dominance of sugar had ensured technological backwardness to another, in which the earnings of the now technologically advanced sugar sector were decreasingly available to spur advances in other sectors of the local economy.

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This, then, was the economic setting during the early 1960s as independence approached. In the meantime, the colony had entered into a period of rapid population growth, caused primarily by a decrease in mortality. In the context of the fragmented economy, the population expansion meant that increased strain was felt throughout the country. This ranged from pressure put on household budgets as a result of the decline in infant mortality to a rise in unemployment stemming from the increased number of Guyanese approaching working age. These pressures were particularly felt in rural areas, where the high-fertility Indo-Guyanese population confronted the constraint of limited availability of suitably drained and irrigated land. The result was the start of a migratory stream, especially to the capital city of Georgetown.

In retrospect, these economic strains appear as an important underlying cause of the racial conflicts which occurred between 1962 and 1964. Of course, the more obvious struggle for the fruits of political independence was central. Yet the sharpness of the conflict associated with this struggle was certainly intensified in the context of mounting unemployment and population pressure. Conflict was especially venomous over the allocation of government expenditures. Rural expenditures were interpreted as favoritism toward the Indo-Guyanese, while urban expenditures were the granting of special privileges to Afro-Guyanese. When rural population pressure triggered a flow of Indians to the city, the situation proved to be extremely volatile, and the truly terrifying communal conflict of this period occurred.

It was in the aftermath of these conflicts that the Afro-Guyanese-dominated government headed by Burnham came to power and the colony achieved independence in 1966. At first Burnham and his People's National Congress (PNC) ruled in alliance with a right-wing party, while Cheddi Jagan and his leftist People's Progressive Party (PPP) stood in opposition. By the late 1960s, the PNC had consolidated its power and ruled alone. Over the years the party has moved steadily to the left. Even as it moved, however, its base of support remained largely confined to the Afro-Guyanese community. The majority East Indian population continued to support the PPP,

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obliging the Burnham government to resort to various electoral malpractices to remain in office.[3]

It is clear that the nationalist and radical orientation of the government in recent years is not a transitory phenomenon and represents the basic thrust of policy-making in contemporary Guyana. This, in turn, means that certain choices with respect to development strategy have been made. Thus, for example, it is clear that under these circumstances a traditional strategy of industrialization by invitation is ruled out. Private foreign investment has been scared away from Guyana and thus represents a dubious source of capital for new enterprises. Though data on foreign investment is scanty, the information which is available indicates that private foreign investment in Guyana has dwindled to relatively insignificant amounts. By 1972, private foreign investment came to only $14.7 G million, down from levels of about $35 G million in the late 1960s. (During these years $1 G was equal to $.50 U.S.) Indeed, private investment in the country as a whole has fallen dramatically during these same years. By 1973, according to a government source, 72.4 percent of total investment in the country was carried out by the public sector. (See Table 1) These trends represent the consequence of the government's political stance and suggest that private investment and the private sector generally are likely to play only a minimal role in Guyanese development. With the nationalization of sugar, these levels will decline even more in the years ahead.

Thus even more than in most underdeveloped countries the role of government has come to be crucial in promoting economic development in Guyana. It goes without saying that in and of itself an increased role of government is not sufficient to ensure success in development. The postwar history of poor nations is replete with examples of nations adopting statist policies without achieving desired advances in their economies. It is essential, therefore, not only to observe the increased role of the state in the Guyanese economy, but to appraise what it has done to overcome the obstacles to development inherited from the colonial past.

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Table 1
Sources of Investment
($ G Millions)
1968 - 1973

	(1) *Public Investment*	*(2)* *Private Investment*	*(3)* *Of Which Foreign*
1968	41.0	62.0	32.4
1969	42.6	62.3	36.4
1970	56.2	67.0	39.0
1971	66.3	39.1	17.3
1972	73.8	47.3	14.7
1973	114.2	43.6	N.A.

Sources: Columns (1) and (2) Bank of Guyana, *Economic Bulletin No. 8,* October 1974 Table XVIII, 6; column (3) *Economic Survey of Guyana,* 1972, Table 9.2.

The most widely used measure of economic development is the change in a country's per capita product. This measure is used as a proxy for a set of interrelated processes by which a nation's productive capacity expands over time. While useful as a proxy, however, it is no more than that, for such a statistic does not even begin to speak to the process by which productive capacity grows. Indeed it shares with all other proxies the weakness that changes in its level may reflect changes in something quite other than the variables for which it is assumed to stand. Thus, for example, a monocultural economy may show an increase in its per capita product solely because of a temporarily favorable market price for its commodity. Clearly such "growth," if it is interpreted to suggest that a process of economic development is underway, is highly misleading.

It is because of such problems that attention has shifted to the input as well as the output side in the measurement of economic development. Clive Thomas, a Guyanese economist, has argued that the relationship between resource use, demand, and need is what underlies a nation's capacity to sustain economic growth. His argument is that in the history of underdevelopment the divergence between these variables has accounted for the weakness of linkages between different sectors of the economy, resulting in a failure to achieve a cumulative pattern of

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expansion even when, for example, favorable market conditions have been encountered by a country's staple. Thomas thus maintains that the divergence between resource use and domestic needs can result in a poorly integrated economy in which incomes earned by the staple provide "insufficient carry-over . . . to facilitate successful economic transformation."[4]

It follows from this discussion that we should be concerned not only with an index of economic development but also with the processes by which development is achieved. This is particularly so in the Guyanese case where the government has been willing to undertake structural changes in the economy. In particular, we need to observe the degree of success which has been achieved in increasing the integration of the domestic economy in a form capable of promoting a self-sustained development process. Thus we look not only at the trend in per capita product, but also at the *structure* of output. In this way we can better determine not only whether the volume of production has increased but also whether a more integrated structure of production has emerged, one more conducive to long-term growth than that of the colonial period.

On both counts the performance has been unimpressive. Per capita output in 1973 stood at about $523 G, down from a peak of $539 G reached in 1971. What is worse is the fact that the 1973 figure is but 4.8 percent higher than the level reached in 1962. Over time the performance of the economy has been erratic, with years of relatively rapid growth alternating with years of relative stagnation or decline. Thus the years 1966, 1968, 1970, 1972, and 1973 all had growth rates of 1.5 percent or less; while the years 1967, 1969, and 1971 saw increments in per capita domestic output ranging from 2.7 percent to 4.3 percent.[5] Overall it is obvious that the volume of per capita product today in Guyana is not much above the levels reached during the last years of British rule.

The case is similarly unimpressive with regard to the structure of output. Table 2 shows an astonishing continuity in this respect. Not unexpectedly the role of government has increased markedly since 1966. At the same time, there has been a significant decline in the relative contribution made by the Indo-Guyanese-dominated rice industry. This decline was about

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Table 2
Percentage Distribution of Gross Domestic Product by Sector

	1966	*1971*	*1973*
Sugar	12.5	14.8	11.5
Rice	5.7	2.9	2.1
Livestock	2.2	2.3	2.4
Other Agriculture	2.9	2.9	3.0
Fishing	1.4	1.1	1.2
Forestry	1.8	1.0	1.2
Mining and Quarrying	17.2	18.3	15.5
Food and Tobacco	3.9	3.7	3.7
Other Manufacturing	3.7	4.2	4.3
Transportation and Communications	6.8	6.0	6.1
Engineering and Construction	6.4	7.8	9.7
Services	22.6	20.9	19.3
Government	12.8	14.1	20.0

Source: Computed from Bank of Guyana, *Economic Bulletin No. 8*, October 1974, Table VIII, 6. Figures for 1973 are provisional.

matched by an advance in the urban-based engineering and construction sector. But aside from these adjustments, there have been virtually no changes in the relative contributions made by sector. Most noticeably the export industries, sugar and mining, continue to dominate the economy. Between them these two sectors account for 29.7 percent of output in 1966 as opposed to 33.1 percent in 1971 and 27.0 percent in 1973. At the same time, the domestic-oriented industries continued to lag badly. Combined, the livestock, other agriculture, fishing, forestry, food and tobacco, and other manufacturing sectors contributed only 15.9 percent of output in 1966; in 1973 the percentage came to 15.8 percent. Thus sugar and bauxite continued to dominate production, while the domestic industries remained relatively insignificant as contributors to the nation's production.

Post-colonial Guyanese history thus exhibits a profound paradox. Government has shown itself to be innovative and nationalist, especially with regard to reorganizing the ownership structure of the bauxite industry. At the same time, however,

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production in the economy has remained stable on a per capita basis; and, what is worse, the old colonial-type dependence on export production has persisted. There has been, in short, very little movement toward the convergence of resource use and domestic demands and needs.

Central to this lack of movement is the problem of agriculture. Until the nationalization of Bookers most of the government's attention had been directed to bauxite and such activities as banking, communications, and retail and international trade. In this bias away from agriculture, it is hard to avoid discerning the government's response to the pressures of its political base. The Burnham government receives its most important support from the urban black population. It is this population which either receives the direct benefits of these policies, or at least is able to easily see and thus identify with government activities. Yet at least at this stage of the nation's economic development, agriculture is probably the sector which should receive most attention. Several scholars who have looked at Guyana's potential for economic development have concluded that its agriculture sector is badly in need of diversification; particularly emphasized in their recommendations is the need to produce internally consumed products such as meat, vegetables, dairy products, and maize.[6] The hope which underlies the recommendation of diversification in agriculture is that income can be raised as a result of a shift to fast-growing, high income-elasticity food products, and that such a shift would have a beneficial effect on the country's balance of payments. In turn, this would allow for the use of foreign exchange for the importation of the capital goods necessary for the country's industrialization. As we have seen, little in this direction has been accomplished.

The apparently obvious reason for this failure is that the most fertile and best drained and irrigated land has been controlled by the sugar industry, the parent company of which (Bookers) had no interest in diversification. New patterns of production have consequently been very slow in emerging, the direct result of conflicting interests between the estates on the one hand and a rationalized agriculture sector on the other.

In addition to the role of the sugar companies in deter-

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mining the structure of output of the agricultural sector, further difficulties have stemmed from the expatriate ownership of capital investment and repatriated earnings. Between 1960 and 1966 capital expenditures in sugar totaled $41.1 million. Apparently all of this investment was self-financed from the Guyanese operation without need for capital inflows from overseas.[7] However, as Clive Thomas notes, though there was no new foreign capital coming into the country, the fact of foreign ownership meant that there were substantial net outflows from Guyana in the form of repatriated profits and dividends. Thus, currently repatriated incomes stand as the payment on *previous* imports of capital from abroad.

The Burnham government thus confronted a difficult dilemma. The logic of economic radicalism seemed to dictate a further extension of its nationalization efforts into the sphere of sugar. Yet at the same time it was seemingly trapped by its narrow base of support. For the nationalization of the Bookers' holdings is almost certainly going to unleash tensions within rural Guyana which an urban-based government would find difficult to manage. In all likelihood, a process in the rural areas analogous to the nationalization of bauxite is going to reveal a tremendous land hunger among East Indian agricultural workers and small farmers. Long confined to the status of seasonal wage laborers and/or marginal peasant cultivators, the prospect of a change in the ownership structure of well-drained and irrigated land will tend to ignite spontaneous land takeovers on a massive scale.[8] A government involved in rationalizing land holding and production patterns would want to guide this transformation, but it is precisely here that the Burnham government must encounter difficulties. Installed in office in opposition to a very high proportion of rural dwellers, particularly those of Indian descent, the Burnham government, unaided by the PPP, would find it all but impossible to manage the uproar which would be attendant upon agricultural rationalization. It neither possesses the rural organizational infrastructure necessary to make such management realistic, nor can it anticipate being successful in calling upon a fund of goodwill among the East Indians in attempting to direct the social change associated with such a process. Without sufficient organization or credi-

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bility, a government initiative in this area without support from the ranks of the opposition would involve the risk of truly chaotic conditions in the countryside.

Thus the Burnham government by the mid-1970s confronted a major choice. If it proposed seriously to address the question of integrating the Guyanese economy, it was compelled to reorganize sugar. But to do so would necessitate its enlisting the goodwill of the East Indian population. In the Guyanese context, this could only mean reaching an understanding with the PPP, and in particular with Cheddi Jagan. For only Jagan as the still charismatic leader possesses the power to mobilize this segment of the Guyanese population.

An indication that some kind of understanding was under consideration was provided by Jagan in August 1975 at a conference of the PPP. After reviewing the recent direction of the PNC, Jagan asserted that "our political line should be changed from non-cooperation and civil resistance to critical support." He went on to say that such a position "can lay the basis for a political solution in our country." Jagan, of course, declared that the PPP should continue to oppose "any reactionary move by the PNC and criticize all shortcomings." But he argued that by moving to a position of "critical support" the PPP could best apply pressure to move the government to the left.[9]

Four months later the other side of an apparent *quid pro quo* was announced. The Burnham government reversed a longtime position with regard to a union certification election in the sugar industry. Ever since the later 1940s the Guyana Agricultural Workers Union (GAWU), a union closely associated with Jagan's party, had claimed that it commanded the allegiance of the country's sugar workers. Though it frequently demonstrated that this was the case by successfully calling strikes in the industry, it had repeatedly been denied official bargaining-agent status. When in December 1975 the Burnham government allowed the sugar workers freely to choose the union they preferred, it did so in the knowledge that the GAWU would be victorious. Allowing the election thus represented a major concession by the PNC to the Jaganite forces.

The GAWU received almost 98 percent of the sugar workers' votes. The argument offered here is that the recognition

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offered to GAWU represented the price the Burnham government was required to pay in order to be certain of PPP support when it moved to nationalize sugar. In the absence of that support, it could not have been certain that it would have been able to maintain control in the countryside. From the PPP perspective the extension of recognition legitimized its often-expressed argument that it retains considerable influence in the country and at the same time represents the hope of a radical policy in agriculture. The fact that it was the GAWU and not the PPP which received recognition permitted each side to save face and to some extent hedge against the risks involved in these new political departures.

To an outsider all of this may take on the appearance of a charade. If Burnham really wanted Jagan's support, why did he not simply bring the PPP into the government? If Jagan really wanted a position of power, why did he not demand such a position in the government? The answer to both of these questions is that the racial dimension of Guyanese politics would not allow such an open reversal of previously maintained positions of mutual hostility. The distrust between the African and East Indian communities, which continues to exist, compelled the leaders of the political parties to find a device whereby they could at once accommodate themselves to each other without challenging too severely the antagonisms to the other group which existed among their own constituents. The technique of recognizing the GAWU is a step short of making an overture to the PPP, and the device of offering only critical support still permits the leadership of the PPP to maintain some distance between itself and the Burnham government. The fundamental fact is, however, that the government has been able to enlist support of the PPP for a policy of nationalization in sugar. The GAWU can be depended upon to support nationalization moves while at the same time providing an institutionalized mechanism by which the resulting uproar can be managed.

Thus a major political roadblock in the way of achieving a more integrated Guyanese economy has been removed. With the PPP's support, the Burnham government was freed to nationalize sugar, and in this way move toward a better integra-

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tion of the Guyanese economy. Much else remains to be done before the country can be said to be on the road to economic development. What can be said confidently, however, is that the step which has been taken is essential to the development process, and that as such it represents at last a potentially decisive break with the colonial legacy of the plantation economy.

NOTES

1. This paragraph relies heavily on my *The Plantation Economy: Population and Economic Change in Guyana, 1938-1969* (Philadelphia: Temple University Press, 1973), pp. 56-66.
2. Data in the following paragraph are taken from Havelock Brewster, "The Pattern of Change in Wages, Prices and Productivity in British Guiana, 1948 to 1962," *Social and Economic Studies* (vol. 18, no. 2, June 1969), tables 11 and 20.
3. For evidence of these see, for example, articles by Ricky Singh and Ulric Mentus in *The Sunday Graphic* (Georgetown), July 22, 1973.
4. Clive Y. Thomas, *Dependence and Transformation: The Economics of the Transition to Socialism* (New York and London: Monthly Review Press, 1974), p. 55.
5. Data from *Annual Statistical Abstract,* 1971, and Bank of Guyana, *Annual* Report 1972; 1973, Bank of Guyana. *Economic Bulletin,* no. 8, October 1974, table VIII, 6, VIII; 4(a).
6. Report to the Government of British Guiana on Planning Agriculture Development, by René Dumont (Rome: FAO, 1963), pp. 33, 89.
7. Clive Y. Thomas, "Sugar Economics in a Colonial Situation: A Study of the Guyana Sugar Industry," *Studies in Exploitation,* no. 1, p. 23 (n.d.).
8. For evidence of land hunger see *The Sunday Graphic,* December 10, 1972, and January 28, 1973.
9. Quotations are from "Dr. Jagan's Address," *Mirror* (Georgetown), Sunday, August 17, 1975.

This historical truth is that in every profound revolution, the *prolonged, stubborn and desperate* resistance of the exploiters, who for a number of years retain important practical advantages over the exploited, is the *rule.* Never . . . will the exploiters submit to the decision of the exploited majority without trying to make use of their advantages in a last desperate battle, or series of battles. The transition from capitalism to communism takes an entire historical epoch. Until this epoch is over, the exploiters inevitably cherish the hope of restoration, and this *hope* turns into *attempts* at restoration.

—Lenin, *The Proletarian Revolution and the Renegade Kautsky*

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ERITREA:
Background to Revolution

BY YORDANOS GEBRE-MEDHIN

In spite of the fact that Eritrea (pronounced Er-i-tré-a) and its struggle for independence from Ethiopian rule have been much in the news during the past few years, it seems likely that most Western readers are poorly informed about the country, its history, and the origins and nature of the independence movement. In the article which follows, Yordanos Gebre-Medhin, a member of Eritreans for Liberation in North America, supplies some of the basic information needed for a better understanding of the Eritrean situation. First of all, however, a few elementary facts of geography and earlier history may be in order.

Eritrea has an area variously estimated at between 46 and 48 thousand square miles (the size of Pennsylvania or New York). It is located on the east coast of Africa, bounded on the east by the Red Sea, on the north and west by Sudan, on the south by Ethiopia, and on the southeast by Affar-Issas. Asmara is the capital, and Massawa and Assab are the country's two important seaports.

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The last decades of the nineteenth century saw the carving up of the African continent by the European imperialist powers. Italy, coming late to the colonial feast, penetrated Eritrea in the 1880s and established a formal colony in 1890, intending to use it as a springboard for the conquest of Ethiopia. However, in one of the few decisive setbacks suffered by the Europeans in their drive to colonize Africa, the Italians were defeated by the Ethiopians at the famous battle of Aduwa in 1896, putting an end for nearly 40 years to Italian expansionist ambitions in that part of the world.

These ambitions were revived by Italian finance capital under Mussolini in the 1930s, and once again Eritrea was used as staging ground for an attack on Ethiopia, this time successfully. As Yordanos Gebre-Medhin makes clear below, the consequences for Eritrea of Fascist Italy's military-imperialist activities were decisive in reshaping the country's socio-economic structure. When the Second World War broke out, Mussolini saw an opportunity to expand further, at the expense of the British, and began moving into the then Anglo-Egyptian Sudan. But early in 1941 the British counter-attacked and by April completely occupied the country.

The British held Eritrea during the remainder of the 1940s, pending a decision on the fate of the former colonies of the Axis powers. In December 1950 the UN General Assembly, then completely dominated by the United States and its allies and clients, decreed that Eritrea should become an autonomous unit federated with Ethiopia. This arrangement, however, was never seriously respected by the Ethiopians, who proceeded to subjugate the country, eventually turning it into a mere province.

From this brief account it will be seen that Eritrea has its own history quite distinct from that of Ethiopia, and that the two countries have never been organically joined together.

—The Editors

Ever since Eritrea became a historically definite community its history has been one of confrontation and resistance to colonial adversaries: Italy (prior to 1941), England (dur-

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ing the 1940s), and now Ethiopia. Yet the Eritrean struggle has been described in such negative terms as "secessionist," "endemic insurgency," "foreign (Arab) instigated," etc. Such categorizations deny the real issues. The "inviolate and sacred unity" of Ethiopia serves only to cover the continued massacre, oppression, and domination of the Eritrean people.

The class struggles that are now being waged in Eritrea and Ethiopia, while coinciding, are different in substance. This is simply due to the differing historical circumstances of the two regions. In Eritrea the European imperialists had direct control of the means of production, while in Ethiopia they worked within the existing framework of a feudal class structure and in direct collaboration with the feudal ruling class.

The Italian Colonial Period (1890-1941). The history of modern Eritrea begins during the period of colonial consolidation.[1]* The opening of the Suez Canal in 1869 facilitated the capitalist plunder by Europe of the Red Sea area. The already existing seaport at Massawa (Eritrea) was first briefly occupied by Egypt, and later by Italy, a colonial power. Italy was defeated by an indigenous army led by the feudal lords of Ethiopia at the battle of Aduwa in 1896. This humiliating defeat prevented Italy from expanding its Eritrean boundaries and shaped Italian colonial policy toward Eritrea. Conveniently and strategically located, Eritrea was to be a base from which goods imported from Italy were to be distributed across the sea to Arab countries and to the neighboring Sudan, Ethiopia, and Somalia. In return, Italy was to extract from these regions raw materials and, via Eritrea, export them to industries in Italy. It was Italy's policy to discourage the development of a local commercial bourgeoisie capable of competing with the Italians. Italy, in short, was an expansionist and monopolist colonial power.

The first phase of Italian colonialism was primarily administrative and repressive, aimed at making Eritrea governable. Italy did its best to break the cultural and religious ties between the highlands of Eritrea and Ethiopia by making Eritrean Coptic Church heads subject to Italian consecration and by confiscating church lands. Italy also built communica-

* Notes will be found at the end of the article.

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tions facilities to consolidate its domination, but did little to promote industrial growth.

A period of far-reaching change began in Eritrea in 1930 as the fascist government in Italy, partly in response to the depression which had begun to develop in 1929, opened a new phase of imperialist expansion in east Africa. Rome used Eritrea as a base, enlisting thousands of Eritreans into the armed forces which launched attacks on the colony's neighbors. Italy successfully, if briefly, occupied Ethiopia, Somalia, and parts of Sudan and Kenya before being defeated by Britain in 1941. During this period thousands of Italians moved into Eritrea: the European population which had been a bare 5,000 in 1930, skyrocketed to 50,000 by 1935; and Eritrea, which had been self-sufficient before 1930, became increasingly dependent on Italy after that date. Banks, hospitals, roads, bridges, garages, airports, etc., were built at a rapid rate. Excellent roads leading out of Asmara turned Eritrea into an increasingly unified economic and social unit; and the spread of the network toward western Sudan and northern Ethiopia encouraged greater contact between Eritrea and its neighbors. In addition to modernizing the ports at Massawa and Assab, the Italians built railroads, including one of the longest cable-ways in the world, linking Asmara with the port of Massawa.

The impact of all these changes on the population was drastic: peasants in significant numbers were transformed into wage workers, soldiers, and city dwellers. By 1941 one fifth of the total population was urbanized, in spite of the fact that relatively few jobs were provided in productive industry. It is not surprising, therefore, that with the collapse of the war economy in 1941, the situation turned desperate.

This led to the migration of many managerial and technically qualified workers to Sudan, Somalia, and especially Saudi Arabia and Ethiopia. The influx of Eritrean workers into Ethiopia, which was encouraged by the Ethiopian government for both economic and political reasons, was later to become the basis for the Ethiopian propaganda claim that the migration of workers to Ethiopia was the result not of the particular historical conjuncture of the early 1940s but rather of Eritrea's dependence on Ethiopia's wealth. What the Ethiopian ruling

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class was incapable of comprehending was that by advocating and eventually achieving annexation of Eritrea, and at the same time encouraging worker migration, it would erode the bases of the feudal mode of production and ultimately bring about its own political extinction.

In terms of colonial administration the British occupation (1941-1952) was essentially a continuation of the Italian one that preceded it. By 1941 there were some 70,000 Italian nationals living in Eritrea, and they remained in control of the colonial government under overall British supervision.[2]

The Peasant Revolutionary Transformation. In seven of the eight subdivisions of Eritrea, where more than 95 percent of Eritreans live, Italian capital precipitated profound economic and social changes. It is important to note at the outset that in Eritrea feudalism in its classical form, or its Ethiopian variant, had never developed.[3] In the Christian highlands, however, the Coptic Church owned very valuable land and demanded and received free peasant labor time for its cultivation. In the lowlands, chiefs owned serfs, and the status of the serfs was abhorrent. However in both areas, Italian colonialism altered this "nascent feudalism."

In the highlands, the Church land was confiscated and converted to Italian Crown land, some of which was leased to peasant villages while other land was given to Italian settlers. The church as an economic force was destroyed.

In the lowlands, great serf revolts in the 1940s brought about the abolition of serf-subordination and serf-obligations to the chiefs. As Trevaskis notes, this was a fundamental revolutionary experience: in "a country where society has always been divided against itself by feuds and conflicting interests, there now emerged a real union embracing [all] the serfs."

However, in the highlands, the Church—no longer an economic power—still exerted influence because the ideology of the masses remained that of Coptic Christianity. In the lowlands where the tradition was quite different, with the emancipation of the serfs the socio-economic power of the chiefs was eliminated. In both cases, with the peasants freed from economic bondage, the power of the Church and that of the chiefs was "almost" annihilated. Almost, because neither the interests of the

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ruling class nor its ideas dies that quickly. With the political chaos of 1941, the temporary resurgence of these ruling interests and the strengthening of feudalism became a possibility. This was attempted in the following manner.

Immediately after the Italian defeat a clandestine organization (which became an official political party in December 1947) made every effort to reverse history. The Patriotic Association for the Union of Eritrea with Ethiopia (UP), sponsored by the Ethiopian government, cultivated as allies the dispossessed Coptic Church and the chiefs of the Moslem lowlands. The party founders and active members had already secured by the early 1940s important high offices in the Addis Ababa-based Ethiopian government. The main objective of the UP was to cultivate support among the masses for its unionist cause. In return, Ethiopia was to restore to the Church and the chiefs their lost economic and political power and, through royal intermarriage, make them part of the Ethiopian feudal ruling class.

The agent of this conspiracy was the Eritrean Coptic Church. It began intimidating the peasants, threatening excommunication, and refusing the holy services of baptism and burial if the Church's adherents did not support the unionist cause. However, when even these tactics did not work, the Church leaders began to propagate anti-Moslem paranoia. This ultimately resulted in the split of the alliance between the Church and the chiefs but did rally some anti-Moslem support for the UP.

With the partial success of the unionist cause, a counter party articulating the interest of the lowlands, the Moslem League (ML), was formed in 1946. Although the founders of this party were merchants, ex-serfs, and past functionaries of the Italian government, at the beginning they gave voice to the interests of the serfs and criticized the worn-out feudal system in Ethiopia. However, as it became increasingly clear that their real goal, in opposition to the UP, was to secure state independence for the lowlands, the ML became an opportunist and sectarian political organization, allowing the chiefs who had defected from the UP to infiltrate into the party organization. Finally in the summer of 1946 the hostility which was brewing

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between the leaders of the UP which supported union with Ethiopia and the new rulers of the ML who supported an independent lowland erupted into the worst political war in the history of both Asmara and Eritrea.

Thus for the time being the Ethiopian government was able to divide the Eritrean people, and especially the peasants, by sowing discord within the ruling class of Eritrea, and by appealing to the "sanctity" of the Ethiopians' official religion.

Political Movements. In the 1940s, during British occupation, freedom of speech and assembly and all the other liberal democratic paraphernalia flourished in Eritrea. Other than the already described UP and ML, the Eritrea for Eritreans Party, the New Eritrea Pro-Italian Party, and the National Party of Massawa comprised the most influential political organizations.

Generally, the political leadership was lacking in ideology to unite the masses of Eritreans on programs transcending local or religious limitations. Without solid mass support, the party apparatuses were weak and underdeveloped and most of their platforms unrealistic. As late as 1950, the philosophy of the numerous parties was guided by parochial, decadent, petty bourgeois, and comprador interests.

By July 1951, however, these various interests congealed into two distinct national parties. Almost all the opposition parties consolidated to form a pro-independence bloc called the Eritrean Democratic Front (EDF). The EDF challenged the UP, which in the UN General Assembly debate naturally sought a stronger federal link with feudal Ethiopia. But by 1952 with the nominal UN-sponsored federation and the actual annexation of Eritrea by Ethiopia, liberal politics began to disintegrate, and the EDF leadership was forced into exile. This was no surprise, for feudal authoritarian Ethiopia could hardly have been expected to tolerate a liberal political atmosphere in Eritrea. Nevertheless, this deteriorating situation was gradually and inevitably leading to an armed confrontation.

The Rise of the Working Class. Following the defeat of the Italians in 1941 and the ensuing economic collapse, a gradual recovery took place under the British occupation, based in the first instance on the infrastructure inherited from the Italian war economy and what qualified manpower remained

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in Eritrea. Taken as a whole, the decade of the 1940s was one of considerable industrial growth: whereas during the entire Italian colonial period only five industries with six plants had been established, by 1950 there were 18 more industries with 19 plants, an increase on the order of 300 percent.

By 1950 the principal manufacturing industries, mining, transport, administration, and public utilities were responsible for the employment of 38,800 Eritreans and 19,800 Europeans. In addition there were seasonal migratory laborers and individual farmers. This economic growth was a modest but important accomplishment for an Eritrean population estimated at 2.5 million by 1952.[4]

In addition, from 1940 to 1946 the number of livestock in Eritrea approximately doubled, and the export of agricultural goods was begun. Between 1943 and 1945 industrial exports rose threefold. The potential of Eritrea to be a self-sufficient and exporting country was demonstrated.

As a corollary to this economic development, a workers' movement arose. While workers had little voice in the late 1940s, with the formation of trade unions in the early 1950s they became the most vocal and militant and among the best organized workers on the African continent.

By December 1952 (11 years before labor unions were legalized in Ethiopia), the Eritrean General Union of Labor Syndicates was formed in accordance with provisions of the Eritrean constitution, only to be banned a few days later by the government of Ethiopia. The workers went underground, and the dock workers in Massawa and Assab staged a two-week strike to defend what they considered their legitimate rights to organize. This ended in armed clashes between the Ethiopian soldiers and the Eritrean workers, who were supported by the Eritrean police. In February 1958 the workers in Asmara and Massawa coordinated strike action "into the longest and biggest strike ever to take place in the country." The result was the "February Massacre," in which the occupying Ethiopian force killed or wounded more than 80 protesting workers.

The Launching of the Eritrean Liberation Front. As early as July 28, 1949, when it appeared that the international imperialist forces were favoring Ethiopia's claim to Eritrea, and

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Ethiopian-backed sabotage, terror, massacre, and assassination in Eritrea were at their peak, a discussion concerning the formation of an Eritrean liberation front appeared in *Eritrean Weekly News*. But the front did not materialize, and the UN parliamentary solution was given a chance.

It soon became clear, however, that the UN mandate was not working. Eritrea was gradually losing its sovereignty. The economic and social situation was deteriorating. In reaction to this, in 1959, the Eritrean Liberation Movement, an urban guerrilla force, was established. Among its objectives was to liquidate Eritrean traitors and agents of Ethiopian feudalism, to raise and collect funds, and to prepare for armed struggle against Ethiopian colonialism. In September 1961, with the establishment of the Eritrean Liberation Front (ELF), the armed struggle officially began. The deplorable conditions in Eritrea combined with the world revolutionary atmosphere made the radicalization of ELF inevitable. Some of the cadres of the fighting forces have been assisted or trained by friendly socialist countries, notably Cuba and the People's Republic of China.

But the profundity of the Eritrean revolution, which is barely touched upon here, lies not only in the bearing of arms for the past 14 years. More important is its attempt to transform Eritrean society, to liberate men and women, transcend the remaining decadent and archaic traditions, and wage the Eritrean democratic revolution, paving the path to a people's republic. Difficult as this task is, its success is already having a cataclysmic effect on the masses of Ethiopia in their struggle against their exploiters. Moreover, the Eritrean revolution, as a class struggle against an African ruling class and its imperialist collaborators, will undoubtedly have a far-reaching impact on future African revolutions.

NOTES

1. All figures and statements of fact have been taken from *Four Power Commission of Investigation for the Former Italian Colonies: Report on Eritrea,* UN publication, (N.Y.: 1950). G. D. N. Trevaskis, *Eritrea: A Colony in Transition: 1941-1952* (London: 1960); J. C. Gray, L. Silberman, *The Fate of Italy's Colonies,* Fabian Publications

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Ltd. (London: 1948); *Eritrea: History, Geography and Economy,* ELF publication (Damascus: n.d.).

2. Godfrey, Morrison, "Eritrea," Report #5, Minority Right Group Publication, 36 Craven Street, W.C. 2 (London: 1971).
3. *Report on Land Tenure Survey of Eritrea Province,* prepared by Department of Land Tenure, Addis Ababa, Ethiopia (January: 1969). "The Agrarian Question in Ethiopia," *Challenge* (July 1970). Taha Nur, "Eritrea: Significance of its Struggle Against Feudalism," *Tricontinental Bulletin* (June 1969).
4. No accurate population count of Eritrea exists. According to the British estimate, the population of Eritrea was little more than one million. See Trevaskis, pp. 133-134. For the same year (1952) according to the above cited ELF publication, "The population of Eritrea is not less than 2.5 million," p. 11. At present the popular estimate is between two and three million.

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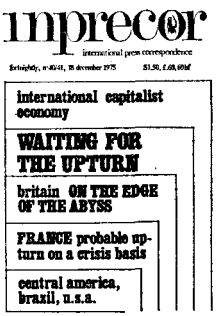
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we saw him at the MR office, less than a week before he died, he was too weak to join us at a scheduled meeting. As he came in to excuse himself for being unable to join us, and to say good-bye, he could not refrain from spending a few minutes to share his excitement over the original version of Mayhew's *Life and Labor in London,* the book he was then reading.

"It is also necessary to say a few words about his honesty in dealing with colleagues, staff, authors, and others. Time and again, complicated and disturbing situations arose where a bit of evasion or dissembling appeared to be the easiest way to cope. But that wasn't Harry's way. He was a tough fellow who stuck to the truth and straight-dealing.

"I suppose we should not be too surprised to find this trait in someone who throughout his life, from early youth, adhered with so much integrity, in thought and action, to the cause of socialism. This consistency was not an easy matter during the years of repression and in the political course Harry pursued while in the Socialist Workers Party and after his break with that party. At every turn in his life, his honesty, devotion to socialism, search for the truth, and strength of character set his path. The strength of character was especially evident during the many months of debilitating illness—a period when he not only suffered physically but was without doubt aware of the great probability that he might soon die. Yet throughout he kept his hand at the tiller, using all the energy he could muster—not only to keep on top of MR affairs, but also to plan new independent research, just in case he might recover. That was not all he did. He concentrated his effort on tying up loose ends so that MR should not suffer as a result of his death. He busied himself with making technical organizational arrangements with this contingency in mind—including, most importantly, finding and bringing into MR the person he (and we) believed best qualified to take over the direction of MR's publishing operation: Jules Geller.

"The socialist movement has lost an important Marxist thinker and educator, and we at MR have, in addition, lost a dear and valued friend. I am confident that I am speaking today for Paul Sweezy, Sybil May, Bobbye Ortiz, Judy Rubin, Linda Briggs, Jaime Meléndez, Susan Lowes, Jules Geller, and others at MR. We all recognized that Harry Braverman was a remarkable man. If Harry were here, he most likely would pause at these words, think a bit, and somberly tell us he didn't agree with such a description. Even more so, he would no doubt have been startled at learning how many of us truly loved him."

MONTHLY REVIEW and Monthly Review Press are planning a memorial service to be held on October 8th at the Ethical Culture Society, 2 West 64th Street, New York City, N.Y. 10023, at 7:30 P.M.

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(*Continued from inside front cover*)

one of noteworthy social significance: the building of MR Press and the research for and writing of *Labor and Monopoly Capital.*

"Founded by Leo Huberman and Paul Sweezy as an offshoot of the magazine, the press was responsible for making available a number of important Marxist and radical books. But the press remained in its early years mainly an adjunct of the magazine. It was hobbled by many practical constraints, and it seemed destined to remain a weak and underdeveloped infant. All this changed when Harry joined Leo and Paul to take over the responsibility for developing a self-reliant and creative university press of the left. And that is exactly what Harry did. Building almost from scratch, with dogged determination, imagination, and daring, he attracted a team of competent colleagues, developed more effective distribution, and stimulated and inspired the creation of new and valuable educational titles. In short, he brought into being an institution. If this were merely the achievement of another entrepreneur, we could leave it at that. But this was done *not* as a business enterprise, seeking to produce and sell items that would make large profits and capital gains. On the contrary, it was done with unswerving commitment to the goals of spreading and enriching Marxist and socialist education—against the odds that so-called sensible and reasonable people would give.

"Hard as this work was, all consuming of his energy in a multitude of niggling technical details all of which Harry strongly disliked, his mind continued to be restless: he had to create, he had to think and study. So for four long years, he disciplined himself to concentrate his after-work hours and weekends on an exploration of the changes in the composition of the working class and the labor process. Such discipline and creativity could come only as a product of passionate concern for the advance of humanity. He did not set out to write a book to satisfy his vanity. I cannot evaluate all the motives that might have influenced him. But it was clear from the very start that his aim was to find the truth. The questions that needed answering were questions a socialist movement had to face up to, if such a movement were to establish roots in the working class. Unfortunately, much that was being written on the subject was based on idle speculation and ignorance. The important thing was to get the facts. It was from this intense search for the facts, dug out with unusual competence and subjected to vigorous Marxist and historical analysis, that Harry began to realize he had to write a book, that he had something to say that could be useful and meaningful to the spread of socialist thought. I will not take the time to discuss the book, its value to the younger generation, to the feminist movement, and to the advance of Marxist thought and action. That will surely be done at the Memorial Meeting MR and MR Press are planning for the early Fall. What must be said here is that, great as the book is, it could only have been written by a person with Harry's unique and unusual qualities. For the book, as in large measure the achievements of the press, truly reflects the man himself: his deeply-rooted hatred of the evils of capitalism, his passionate concern for humanity, his honesty, his deep devotion to the search for the truth, his strength of character, and, last but not least, his rationality.

"If I needed to sum up the dominant characteristic of Harry, I would say that he was above all a man of reason. No matter what was at stake—a new clerical office procedure or the meaning of Marx's chapter on

 (*Continued on page 63*)

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- A free copy of Charles Bettelheim's newly translated book, *Class Struggles in the USSR: First Period: 1917-1923* (list price $18.95), just published by MR Press. Readers of MONTHLY REVIEW will recall two articles by Paul Sweezy entitled *On the Nature of Soviet Society* in which he discusses this book and calls it "the first volume of what promises to be a work of enormous importance for the world revolutionary socialist movement." In this book, Bettelheim goes beyond condemnation to explanation. What is at stake is what the USSR has become today.

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